

# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

January 3, 2000

## Community Reinvestment Act Performance Evaluation

FNB Bank, N.A.  
Charter Number: 325

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**NOTE:** This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## 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 safe and sound operation of the institution. Upon 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 **FNB Bank, N.A.** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 3, 2000**. The agency evaluates performance in AA(s), as they are delineated by the institution, rather than individual branches. This AA evaluation may include the 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 CFR Part 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan

statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

**Limited-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders=equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## Overall CRA Rating

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

The following table indicates the performance level of **FNB Bank, N.A.** with respect to the Lending, Investment, and Service Tests:

Performance Levels	FNB Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- < The bank's lending levels reflect a good responsiveness to the credit needs of the AAs.
- < The geographic distribution of HMDA loans reflects a good penetration throughout the AAs.
- < The geographic distribution of small business loans reflects an adequate penetration throughout the AAs.
- < The distribution of borrowers reflects a good penetration among HMDA loan customers of different income levels.
- < The distribution of small business and small farm loans among businesses and farms of different sizes is excellent.
- < The bank has a good level of community development loans.
- < The bank uses flexible lending products in order to serve the credit needs of the AAs.
- < The bank has an adequate level of qualified investments and donations.
- < The bank's service delivery systems are accessible to geographies and individuals of different income levels in the assessment area.
- < The bank provides a good level of community development services.

## Description of Institution

FNB Bank, N.A. (FNB) is an intrastate community bank with total assets of \$300 million as of September 30, 1999. The bank is headquartered in Danville, Pennsylvania and is a subsidiary of Fulton Financial Corp. (FFC), a \$6 billion multi-bank holding company located in Lancaster, Pennsylvania. FFC operates eleven banking affiliates in the states of Pennsylvania, Maryland, Delaware, and New Jersey. In addition to FNB, the holding company owns Fulton Bank, Lancaster PA; Lebanon Valley Farmers Bank, Lebanon PA; Swineford National Bank, Middleburg PA; Lafayette Ambassador Bank, Easton PA; Great Valley Bank, Reading PA; Hagerstown Trust, Hagerstown MD; Delaware National Bank, Georgetown DE; The Bank of Gloucester County, Woodbury NJ; The Woodstown National Bank and Trust Company, Woodstown NJ; and the Peoples Bank of Elkton, Elkton MD. FNB has no operating subsidiaries. FNB did not request that we consider any affiliates' activities in this evaluation.

FNB operates eight full service offices and seven automated teller machines (ATMs) in Montour, Northumberland, Columbia, and Lycoming counties in Pennsylvania. FNB Danville has a business strategy primarily focused at retail customers and small business lending. The loan portfolio is heavily weighted toward first lien mortgages, home equity lines of credit, and indirect automobile paper. There is only minimal opportunity in the local economy for large commercial lending opportunities. The local offices of the much larger Mellon and PNC banks usually capture these opportunities. Serving the retail customers of Danville and its surrounding areas is the strength of this institution. In addition to providing a full range of commercial and personal banking products, FNB also offers trust services, discount brokerage services, and mutual funds.

As of September 30, 1999, FNB has net loans of \$204 million, representing 69% of total assets. The portfolio comprises 51% residential real estate mortgages, 30% consumer installment loans, and 19% commercial and commercial real estate credits. Net Tier 1 Capital as of September 30, 1999 is \$24 million. There are no legal or financial impediments that would hinder the bank's ability to help meet the credit needs of its community. FNB received a satisfactory rating at their last CRA performance evaluation dated October 8, 1997.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the Lending Test covers loan activity from January 1, 1998 through December 31, 1999. Our review covered the following loan products: all HMDA reportable mortgage loans, small business and small farm loans, and community development loans that were originated or purchased during the evaluation period. For the Investment and Service Tests, we considered qualified investment activity and the bank's record of providing retail and community development services from October 1, 1997 through December 31, 1999.

### Data Integrity

In February 1999 we reviewed the accuracy of the bank's 1998 HMDA records and CRA data collection of business, farm, and community development loans. We reviewed the procedures and processes in place to collect the required information and internal procedures used to test the accuracy of the data. We noted errors in the CRA business data when increases in lines of credit are recorded. This problem was corrected before the 1998 data was submitted and the process has been corrected for 1999. No HMDA errors were identified.

During our current examination we sampled twelve HMDA loans from the 1999 HMDA Loan Application Register and all of the internal small business and small farm loan CRA data collection forms for 1999. No HMDA or small business and small farm data errors were identified. We identified two loans with original amounts greater than \$1 million that qualify as community development loans. FNB did not report these loans. We used the accurate HMDA and small business and small farm data during this evaluation and adjusted their 1999 reported community development loans. The publicly reported HMDA and small business and small farm data for 1998 and 1999 is accurate.

### Selection of Areas for Full-Scope Review

The Montour/Northumberland Counties (Non-MSA) AA and the Scranton-Wilkes-Barre-Hazleton MSA (MSA 7560) AA received full scope reviews. The Williamsport MSA (MSA 9140) AA received a limited scope review. The full scope areas constitute a representative sample of both significant and less significant markets in which the bank operates. In the Montour/Northumberland Counties area, FNB operates five offices and four ATMs and originated 601 HMDA loans, 66 small business loans, and one agricultural credit during the evaluation period. In MSA 7560, FNB operates two offices and two ATMs and originated 199 HMDA loans, 35 small business loans, and two agricultural loans during the evaluation

period. The ratings are based primarily on results of those areas that received full scope reviews. Refer to Appendix A for more information.

### **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. The results in the Montour/Northumberland Counties AA were weighted more heavily when arriving at the overall rating because this is the bank's primary trade area. The large majority of FNB's offices, deposits, and loan originations are in this AA.

### **Other**

We discussed credit needs and community development opportunities with two community organizations. These organizations included a housing group in the Montour/Northumberland Counties AA and a business group in the MSA 7560 AA. In Montour/Northumberland counties, the contact did not identify any unmet credit needs. This organization indicated that affordable housing credit needs are being met by local financial institutions. The organization also indicated that not many community development investment opportunities exist because the counties are small and the majority of housing needs are already being met by the local banks and agencies. In MSA 7560, the business organization did not identify any unmet credit needs. They noted that the greatest need in the area was the availability of quality labor. This contact mentioned that opportunities to participate in community development projects are limited because these projects usually only arise in this area when the private sector can not deal with or resolve an issue.

We reviewed three community contacts made by our agency during the past two years. These contacts included a community service group and a neighborhood housing organization in the Montour/Northumberland Counties AA and a community development group in the MSA 7560 AA. In the Montour/Northumberland Counties area, the contacts noted that the primary credit needs are affordable housing and home rehabilitation loan programs. A secondary need is small business loans. The organizations also indicated that investment opportunities are limited due to the mature nature of the communities. In MSA 7560, the contact identified a need to attract businesses to the area.

## **Fair Lending Review**

A Fair Lending examination was performed in conjunction with this CRA examination. We tested for discrimination in the underwriting process by comparing denied female borrowers to approved male borrowers for purchase money mortgages. We selected a sample of 21 mortgage loan applications originated during 1999. We also reviewed the bank's policies and procedures used to comply with the requirements of the Fair Lending regulations. Our analysis detected no evidence of disparate treatment and found satisfactory systems in effect to support the bank's Fair Lending compliance efforts. No violations of the substantive provisions of anti-discrimination laws and regulations were identified.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated high satisfactory. Based on full-scope reviews, the bank's performance in MSA 7560 and Montour/Northumberland Counties is good.

FNB's mortgage lending performance and small business lending were weighted equally. Community development lending was given more weight in arriving at the overall lending rating. FNB originated a good level of community development loans based on its size and capacity that addresses the identified credit need in the assessment area.

#### Lending Activity

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

FNB's lending levels reflect a good responsiveness to the credit needs of the assessment areas. The bank's lending performance in MSA 7560 and Montour/Northumberland Counties is good. The level of mortgage lending is good and the volume of activity in small business and small farm lending is adequate. Their performance in each AA is discussed below.

#### **MSA 7560**

FNB has originated a good volume of home mortgage loans. Home mortgage refinance loans comprise the majority of FNB's total mortgage originations. The bank is ranked second in the AA in this product with a market share of 4.60%. They are also among the top twenty lenders in the AA for home purchase and home improvement loans. Market share data for all mortgage products indicates that they are ranked sixth out of 175 mortgage lenders in the AA with a market share of 3.63%. FNB has a deposit market share of 4.86% in this area. Their main competitors are PNC Bank, First National Bank of Berwick, and First Columbia Bank and Trust, which all have very strong market shares.

FNB has originated an adequate volume of small business loans. They are ranked 19th out of 51 lenders with a market share of 0.70%. There is strong competition in this area with Mountainwest Financial Corp., PNC Bank, and American Express dominating the market.

The bank originated two small farm loans in 1999. No farm loans were originated in 1998, so available market share data for this category is not applicable. This is an adequate volume given that this product is not a primary business focus for the bank and, according to available market share data, there were only a total of seven farm loans originated by all lenders in this area in 1998.

### ***Montour/Northumberland Counties***

FNB originated a significant amount of home mortgage loans. Home mortgage refinance loans were also the largest product in this AA during the evaluation period. The bank is ranked first in this AA in this product with a market share of 16.47%. They are also the top home purchase lender and the third home improvement lender in this area. Market share data for all mortgage products shows that they are ranked first out of 133 lenders in this AA with a market share of 16.03%. FNB has the top deposit market share in Montour County with 57.53%. In Northumberland County FNB is ranked third with a deposit market share of 7.78%.

The bank has originated an adequate volume of small business loans. Market share data indicates that FNB is ranked sixth out of 175 lenders with a market share of 6.53%. FNB originated one small farm loan in 1999. This is an adequate volume given that FNB is not an agricultural lender and market share data shows that only 21 loans were originated in 1998 by eight lenders in this area.

### **Distribution of Loans by Income Level of the Geography**

FNB's geographic distribution of lending reflects good penetration in both assessment areas. The geographic distribution of mortgage lending is good. The distribution of small business and small farm lending is adequate. The distribution of each product is described below.

#### ***Home Mortgage Loans***

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

#### **MSA 7560**

There are no low-income geographies in this AA; therefore, we focused on the bank's record of lending in moderate-income census tracts. Also, we noted that FNB's overall market shares in this AA are not significant, so market share

comparisons were not as meaningful as the demographic comparisons.

The geographic distribution of home purchase loan originations is good. Lending in moderate-income tracts is similar to the percentage of owner-occupied housing in that income category. FNB's market share in moderate-income geographies approximates their overall home purchase loan market share.

FNB's geographic distribution of home improvement lending is excellent. Lending in moderate-income tracts is above the percentage of owner-occupied housing in those areas. However, the bank's market share in moderate-income geographies is below their overall home improvement loan market share.

The distribution of their home refinance lending is also excellent. The volume of loans in moderate-income geographies is well above the percentage of owner-occupied housing in those tracts. However, the bank's market share in moderate-income geographies is below their overall refinance market share.

#### Montour/Northumberland Counties

There are no low-income geographies in this AA; therefore, we focused on the bank's record of lending in moderate-income BNAs.

FNB's geographic distribution of home purchase lending is excellent. Lending in moderate-income areas is above the percentage of owner-occupied housing in those areas. The bank's market share in moderate-income geographies is also well above their overall home purchase loan market share.

The geographic distribution of home improvement lending is good. The volume of loans in moderate-income geographies is similar to the percentage of owner-occupied housing in those areas. Also, the bank's market share in moderate-income areas approximates their overall home improvement loan market share.

The distribution of home refinance lending is adequate. The amount of lending in moderate-income BNAs is below the percentage of owner-occupied housing in those areas. The bank's market share in these BNAs is also below their overall home refinance market share.

#### ***Small Loans to Businesses***

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

#### MSA 7560

As mentioned above, there are no low-income geographies in this AA, therefore, we focused on FNB's record of lending in moderate-income census tracts. Also,

we noted that FNB's overall market share in this AA is not significant, so the market share comparison is not as meaningful as the demographic comparison.

FNB's geographic distribution of small business lending is good. The percentage of loans in moderate-income geographies is equal to the volume of businesses located in those areas. The bank's market share in moderate-income census tracts is close to their overall small business market share.

#### Montour/Northumberland Counties

As mentioned above, there are no low-income geographies in this AA, therefore, we focused on FNB's record of lending in moderate-income BNAs.

The bank's geographic distribution of small business lending in this AA is poor. Only 6% of FNB's loans were originated in moderate-income BNAs versus 29% of the businesses being located in those areas. We did not identify any significant mitigating factors that would explain this performance.

#### ***Small Loans to Farms***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

FNB did not originate any small farm loans in 1998, therefore, 1998 market share data is not meaningful.

In 1999, this bank originated two small farm loans in MSA 7560 and one loan in the Non-MSA area. All are located in middle-income geographies. Agricultural loans only comprise 0.2% of the total loan portfolio. In addition, only 3% of the farms in MSA 7560 are located in moderate-income geographies and only 6% of the farms in Montour/Northumberland Counties are in moderate-income areas.

#### ***Lending Gap Analysis***

There are no unexplained conspicuous gaps in FNB's mortgage, small business, or small farm lending patterns in either the MSA 7560 or Montour/Northumberland Counties assessment areas.

#### ***Inside/Outside Ratio***

FNB's record of lending in their designated AAs was also factored into our geographic distribution analysis. This analysis is performed at the bank level, combining all of FNB's lending in each of the AAs versus lending outside of these areas. Our review indicates that a substantial majority of home mortgage and small business loans were made in the bank's AAs. The volume of loans made in their areas during the evaluation period is as follows: home mortgage loans - 83%, small business loans - 81%, and small farm loans - 60%.



## **Distribution of Loans by Income Level of the Borrower**

FNB's overall distribution of borrowers reflects a good penetration among retail customers of different income levels and business customers of different sizes in both assessment areas. The borrower distribution of home mortgage loans is good. The distribution of small business and small farm loans is excellent. The distribution of each product is described below.

### ***Home Mortgage Loans***

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Our analysis revealed that, in most cases, FNB's lending to low-income borrowers is several basis points below the percentage of low-income families in the AAs. However, their record of lending to moderate-income borrowers is good. Demographic information indicates that a significant portion of low-income residents in both assessment areas are below the poverty level. This extremely low income level would restrict these residents from achieving home ownership and their eligibility for home improvement and refinance mortgage loans. Based on this information and FNB's good record of lending to moderate-income borrowers, the bank's borrower distribution of home mortgage loans is considered good.

### **MSA 7560**

The 1999 Updated Median Family Income is \$40,500. A family would be considered low-income if they earned less than \$20,500. Seventeen percent of the families in the assessment area are low income. Additionally, 11% of the households are below the poverty level.

The distribution of home purchase loans is good. The number of home purchase loans extended to moderate-income borrowers is similar to the percentage of moderate-income families. FNB's market share of moderate-income borrowers is similar to the overall home purchase market share. The volume of home purchase loans to low-income borrowers is close to the percentage of low-income families, and the bank's market share of low-income borrowers is above their overall home purchase market share.

The borrower distribution of home improvement loans is poor. The percentage of home improvement loans to both low- and moderate-income borrowers are well below the percentages of low- and moderate-income families in the area. In addition, the bank's market shares of lending to low- and moderate-income borrowers are below their overall home improvement loan market share.

The distribution of home refinance loans is excellent. FNB's lending to moderate-income borrowers is above the percentage of moderate-income families. The volume of home refinance loans to low-income borrowers is low compared to the percentage of low-income families. FNB's market shares of low- and moderate-income borrowers are below their overall home refinance market share.

#### Montour/Northumberland Counties

The 1999 Statewide Non-Metropolitan Median Family Income is \$36,700. A family would be considered low-income if they earned less than \$18,350. Nineteen percent of the families in the assessment area are low income. Additionally, 14% of the households are below the poverty level.

FNB's distribution of home purchase loans is good. The percentage of loans to moderate-income borrowers is equal to the amount of moderate-income families in the area. FNB's market share of loans to moderate-income borrowers is slightly below the overall home purchase market share. The volume of loans to low-income borrowers is below the percentage of low-income families in the area, but the bank's market share of this income group exceeds their overall home purchase market share. Market share data indicates that FNB has the top market share in home purchase lending to both low- and moderate-income borrowers.

The distribution of home improvement loans is similar to the performance described above for home purchase loans. However, the bank's market shares of loans to low- and moderate-income borrowers are lower than their overall home improvement market share.

FNB's distribution of home refinance lending is adequate. The bank's record of lending to moderate-income borrowers is close to the percentage of moderate-income families. The volume of refinance lending to low-income families is low. FNB's market shares of loans to low- and moderate-income borrowers are both below their overall home refinance market share.

#### ***Small Loans to Businesses***

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

We analyzed FNB's distribution of small business loan originations by calculating the percentage of loans made to small businesses. Their record was compared to the percentage of small businesses in each AA and to the percentage of small business loans made by all lenders in each AA. We also evaluated the bank's distribution of loans by original amount regardless of business size.

#### MSA 7560

The distribution of small business loans in this AA is excellent. FNB's percentage of loans to small businesses far exceeds the volume of loans made to small businesses by all lenders in area. It is also above the amount of small businesses located in this AA. The bank's distribution by size of loan shows that a majority of the loan originations are for \$100,000 or less with an average size of \$56,000. This is another indication that FNB's business lending is primarily to small businesses. Their market share of lending to small businesses exceeds their overall small business loan market share.

#### Montour/Northumberland Counties

The distribution in this AA is also excellent. FNB's percentage of loans to small businesses exceeds both the volume of loans made to small businesses by all lenders in the area and the amount of small businesses located in the AA. The distribution by size of the loan shows that a significant majority of the originations are for \$100,000 or less with an average size of \$46,000. FNB's market share of lending to small businesses exceeds their overall small business loan market share.

#### ***Small Loans to Farms***

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

We analyzed FNB's distribution of small farm loan originations by calculating the percentage of loans made to small farms. Their record was compared to the percentage of small farms in the AAs and to the percentage of small farm loans made by all lenders in each AA. We also evaluated the bank's distribution of loans by original amount regardless of farm size.

#### MSA 7560

FNB's distribution of lending to small farms is excellent. The percentage of loans to small farms is equal to both the volume of loans made to small farms by all lenders in the area and to the number of small farms located in the AA. FNB originated two loans in this area. Both of the loans had original amounts of \$100,000 or less.

#### Montour/Northumberland Counties

The distribution of small farm lending in this AA is also excellent. The percentage of loans to small farms is above both the volume of loans made to small farms by all lenders in the area and to the number of small farms in the AA. FNB originated one loan in this area and the original amount was less than \$100,000.

#### **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

FNB has originated a good amount of community development loans during the evaluation period. In the areas receiving full scope reviews, FNB has extended one reportable community development loan. In addition, in the Non-MSA area FNB has extended three small business loans with community development purposes that are included in their CRA small business data. The following is a description of their community development lending in each AA receiving a full scope review.

#### MSA 7560

FNB has extended a \$2.2 million loan to an economic development organization that will promote economic development by creating approximately 250 permanent jobs primarily for low- and moderate-income individuals. This loan will allow a small business in the Bloomsburg area to expand its current facilities and create an additional 250 permanent jobs primarily for low- and moderate-income individuals. This loan responds to the identified need for small businesses in this area.

#### Montour/Northumberland Counties

In this AA, FNB originated three small business loans totaling \$486 thousand that have community development purposes. These loans are included in FNB's CRA small business data.

### **Product Innovation and Flexibility**

FNB uses Pennsylvania Housing Finance Agency (PHFA) mortgage loan programs to meet the mortgage credit needs of low- and moderate-income individuals. These mortgage programs are available in all three of the bank's AAs. FNB has extended a good amount of loans through these programs. During the evaluation period, FNB originated 50 loans, under both programs, totaling \$2.4 million. The loan programs are described below.

- PHFA Statewide Homeownership Program - This program for low- or moderate-income first time homebuyers requires only a 5% down payment, and there is a maximum purchase price allowed.
- PHFA Lower Income Homeownership Program - This program is for low-income families. They must be first time homebuyers with a 3 - 5% down payment. Closing cost assistance is available through the PHFA closing cost assistance program.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the Lending Test in the MSA 9140 AA is not inconsistent with the bank's overall high satisfactory performance under the Lending Test. Refer to Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated low satisfactory when considering the limited opportunities for community development investments in both assessment areas. In MSA 7560, the business organization we contacted noted that community development projects are limited. These projects usually only arise when the private sector can not deal with or resolve an issue. In Montour County, the housing organization we contacted indicated that there are not many community development investment opportunities because it is a small county and the majority of housing needs are being met the local banks and agencies. Based on full-scope reviews, the bank's performance in MSA 7560 and Montour/Northumberland Counties is adequate. The performance in each AA is described below.

During the evaluation period, FNB purchased a \$300,000 Pennsylvania Housing Finance Agency (PHFA) single family mortgage revenue bond. Owner-occupied residential dwelling units located in targeted areas of the Commonwealth securitize this bond. The targeted areas consist of all counties with census tracts in which 70% of the families have an annual income of 80% or less of the statewide median income. All 39 counties in the state have been designated as target areas. The mortgages are primarily for low-and moderate-income first time homebuyers.

We could not determine the location of the specific loans securitizing the bond purchased by FNB. Therefore, since this bond covers a broader region, including all of FNB's assessment areas, we allocated the amount of the bond equally to all three areas.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

#### MSA 7560

As of the examination date, FNB has an adequate volume of qualified investments and grants in this AA. The types and dollar amounts of qualified investments are as follows:

1. PHFA Bond	\$ 100,000
2. Mortgage Backed Securities (MBS)	\$ 64,793
3. Community grants and donations	\$ 2,237
	<u>\$ 167,030</u>

1. The PHFA bond is a portion of the affordable housing bond described above.
2. This MBS is secured by properties in this AA. The mortgages are primarily for low- or moderate-income individuals.
3. Included in the community grants is the cost of sponsoring a home ownership training class including counseling for low- and moderate-income individuals and a donation to a local university for tuition assistance for low- or moderate-income students.

Montour/Northumberland Counties

FNB has an adequate volume of qualified investments and grants in this AA. The types and dollar amounts of qualified investments are as follows:

1. PHFA Bond	\$ 100,000
2. Community grants and donations	<u>\$ 16,875</u>
	\$ 116,875

1. The PHFA bond is a portion of the affordable housing bond described above.
2. The community grants include qualified donations to affordable housing and community service organizations. For example, a donation was made to an affordable housing group that builds homes for low- and moderate-income families, funds were given to a local hospital to subsidize medical expenses for low- and moderate-income children, and donations were made to fund low- and moderate-income family memberships of a community center.

These investments exhibit an adequate responsiveness to the primary needs in the AA. Local community organizations indicate that affordable housing is a concern in the area. Approximately 86% of FNB's investments are for affordable housing purposes.

**Conclusions for Area Receiving Limited-Scope Reviews**

Based on the limited-scope review, the bank's performance under the Investment Test in MSA 9140 is not inconsistent with the bank's overall low satisfactory performance under the Investment Test. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated high satisfactory. Based on full-scope reviews, the bank's performance in MSA 7560 and Montour/Northumberland Counties is good.

### Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings. We concluded that the same financial services are offered at all of the bank's branches. In addition, we noted that the hours of operation and delivery systems are more convenient in the moderate-income office. Retail banking services provided in each AA are described below.

#### MSA 7560

FNB's service delivery systems are accessible to geographies and individuals of different income levels in the assessment area. The bank operates two full service offices in this area. One office is located in moderate-income tracts and one is in middle-income tracts. There are no branches in upper-income tracts, and there are no low-income tracts in the AA. The office in the moderate-income geography is located in Berwick. There are only two moderate-income tracts in this area. The other moderate-income geography is located a few miles from Berwick, in the borough of Shickshinny. This borough is within a short driving distance to Berwick, but it is also well served by other banks located in the borough. FNB's branch network makes financial services available to the low- and moderate-income portions of the AA.

Both offices have extended hours on Friday nights and are open on Saturdays. Office hours at some branches may vary, but typical lobby hours are 9 AM to 4 PM Monday through Thursday, 9 AM to 6 PM on Friday, and 9 AM to 12 PM on Saturdays. Both of the offices have extended drive through hours Monday through Friday. The office in the moderate-income census tract has extended hours daily. During the evaluation period, FNB did not open or close any offices.

FNB has two automated teller machines (ATMs) located at branch offices in this AA. One ATM is in a moderate-income tract and one is in a middle-income tract; no ATMs are located in upper-income tracts. There are no low-income geographies in this AA.

FNB offers an alternative delivery system through the Bank by Phone telephone banking system. Bank by Phone provides telephone access to make transfers, verify balances, and check rates. No documentation is maintained that illustrates how this alternative delivery system serves low- and moderate-income customers

and geographies. Therefore, we could not give this system significant consideration in our rating.

#### Montour/Northumberland Counties

FNB's service delivery systems are accessible to geographies and individuals of different income levels in the assessment area. The bank operates five full service offices in this area. The breakdown by income level of geography is as follows: All of these offices are located in middle-income BNAs. There are no low-income geographies in the AA. No offices are located in the five moderate-income BNAs in the AA; however, one middle-income branch in the city of Shamokin is in an area surrounded by two moderate-income BNAs in the city. This is a small city and the office is readily accessible to the moderate-income areas. These BNAs are within walking distance to the branch office. FNB also has a branch close to two moderate-income geographies in Mount Carmel. The Atlas office is in a middle-income BNA, but it is within a few miles of Mount Carmel. This office is reasonably accessible to those moderate-income BNAs. FNB's branch network makes financial services available to the low- and moderate-income portions of the AA.

Office hours vary between the three offices located in Montour County and the two offices in Northumberland County. For example, the typical lobby hours in Montour County are 8:30 AM to 4:00 PM Monday and Tuesday, 8:30 AM to 12:00 PM Wednesday, 8:30 AM to 6:00 PM Thursday and Friday, and 8:30 AM to 12:00 PM on Saturday. The abbreviated hours on Wednesdays are typical in this area. The extended hours on Thursday and Friday nights and the Saturday hours improve the accessibility of financial services in this area. The main office does not have a drive through, but drive-through facilities located at the other offices have extended hours Thursday and Friday. The office hours in Northumberland County are 9 AM to 4 PM Monday through Thursday, 9 AM to 6 PM on Friday, and 9 AM to 12 PM on Saturdays. The offices have extended drive through hours Monday through Friday. During the evaluation period, FNB did not open or close any offices in this AA.

FNB has four automated teller machines (ATMs) located at branch offices. The main office does not have an ATM. All of the ATMs are located in middle-income geographies.

FNB also offers the Bank by Phone telephone banking system in this area. No documentation is maintained that illustrates how this alternative delivery system serves low- and moderate-income customers and geographies. Therefore, we could not give this system significant consideration in our rating.



## Community Development Services

FNB provides a good level of community development services. They have sponsored and participated in local homebuyer and budgeting programs. Several bank employees/officers participate in community organizations. One of these organizations is an affordable housing group, one is a small business group, and two are community service organizations. Bank employees and officers use their financial expertise and banking knowledge to review budgets, allocation requests, and financial statements for these groups. Performance in each AA is described below.

### MSA 7560

In this area, FNB's community development services include involvement in one bank-sponsored activity, budget counseling, and employee involvement in a local organization. A description of participation follows.

- Columbia/Montour Home Ownership Training Course - FNB was one of several sponsors and participants of this program. The bank assisted in developing the program. The course included topics such as meeting with realtors, agreements of sale, understanding home ownership, interpreting a credit file, insurance coverage, and financial responsibilities of owning a home.
- PHFA Budget Counseling - As part of the PHFA mortgage loan programs offered by FNB, bank officers provide applicants with budget counseling. This counseling is available in all of their assessment areas and is targeted for low- and moderate-income individuals.
- Berwick Chamber of Commerce - A bank officer uses his/her financial marketing expertise by providing guidance on marketing programs for small businesses.

### Montour/Northumberland Counties

FNB has a good volume of community development services in this area. The bank provides instructors and budget counseling for community programs and employees are active in local organizations. A description of their involvement follows.

- PHFA Budget Counseling - A description of this counseling is provided above.
- First Time Home Buyers Program - This program is sponsored by the Penn State Extension program and Northumberland County City Planning. It is targeted at low- and moderate-income individuals. A bank officer instructs a class on the credit application process. The bank also provides credit counseling.
- Montour County Housing Authority Budgeting Program - FNB officers provide credit counseling and provide information on first time homebuyer programs to tenants of local housing projects who are low- and moderate-income.
- Habitat for Humanity - Two bank employees are on the Board of this affordable housing organization. They use their financial expertise to maintain the books

and records of the group and to provide guidance on projects.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on the limited-scope review, the bank's performance under the Service Test in MSA 9140 is not inconsistent with the bank's overall high satisfactory performance under the Service Test. Refer to Table 13 in Appendix C for the facts and data that support these conclusions.

## 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 **AFull-Scope@**) and those that received a less comprehensive review (designated by the term **ALimited-Scope@**).

<b>Time Period Reviewed</b>	Lending Test: January 1, 1998 to December 31, 1999 Investment Test: October 1, 1997 to December 31, 1999 Service Test: October 1, 1997 to December 31, 1999	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
FNB Bank, N.A. (FNB) Danville, PA	Residential mortgages, small business loans, small farm loans, and community development loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	None
<b>List of AAs and Type of Examination</b>		
<b>AA</b>	<b>Type of Exam</b>	<b>Other Information</b>
Scranton-Wilkes-Barre-Hazleton MSA (MSA 7560)	Full Scope	None
Montour/Northumberland Counties (Non-MSA)	Full Scope	
Williamsport MSA (MSA 9140)	Limited Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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### Market Profiles for Areas Receiving Full-Scope Reviews

Scranton-Wilkes-Barre-Hazleton MSA (MSA 7560).....	B-2
Montour/Northumberland Counties .....	B-4

## Scranton-Wilkes-Barre-Hazleton MSA (MSA 7560)

Demographic Information for Full-Scope Area: MSA 7560						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	17	0	12	82	6	0
Population by Geography	59,854	0	11	86	3	0
Owner-Occupied Housing by Geography	16,178	0	11	85	4	0
Businesses by Geography	2,421	0	11	81	8	0
Farms by Geography	216	0	3	88	9	0
Family Distribution by Income Level	15,627	17	22	27	34	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,062	0	16	82	2	0
Median Family Income HUD Adjusted Median Family Income for 1999 Households Below the Poverty Level	= \$ 29,664 = \$ 40,500 = 11.04%	Median Housing Value Unemployment Rate (November 1999)				= \$ 56,098 = 5.0%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census and 1999 HUD updated MFI.

### Description of AA

FNB has one AA in MSA 7560 that consists of twelve CTs in central Columbia County and five CTs in western Luzerne County. This AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNB operates two offices and two ATMs in this AA. Major competitors include Columbia County Farmers National Bank, First Columbia Bank and Trust, and First National Bank of Berwick, which are all local community banks, and branches of PNC Bank, a much larger regional institution. FNB does not have a large presence in this area. For example, 15.88% of the bank's deposits and 21.24% of all HMDA, small business, and small farm loan originations were generated from this area during the evaluation period. HMDA market share data shows that FNB is ranked sixth in the AA with a market share of 3.63% for all mortgage products. PNC has a strong presence in this market, with the top market share of 13.30%. Also, FNB is ranked twentieth in small business lending with a market share of 0.70%. Mountainwest Financial Corp., PNC Bank, and American Express control this small business market, comprising 47% of the market share.

As of November 1999, the unemployment rates for Columbia and Luzerne Counties were 4.4% and 5.8%, respectively. These are above the state average of 4.0%. The major employers in Columbia County are Star-Kist Foods Inc., the Pennsylvania system of higher education, and Wise Foods Inc. The major

employers in Luzerne County are the US government, Pennsylvania State government, and the Wyoming Valley Health Care System.

#### Community Credit Needs

We contacted one business group in Columbia County to discuss the credit needs in this AA. This contact did not identify any unmet credit needs. They noted that the greatest problem in the area was the availability of quality labor. We reviewed a previous community contact made with a community development group in this area. This contact identified a need to attract businesses to the area.

#### Community Development Opportunities

The community contact gave insight into the community development investment opportunities in this AA. The business organization contact noted that opportunities to participate in community development projects are limited because these projects usually only arise when the private sector can not deal with or resolve an issue.

## Montour/Northumberland Counties

Demographic Information for Full-Scope Area: Montour/Northumberland Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0	31	56	13	0
Population by Geography	61,987	0	29	57	14	0
Owner-Occupied Housing by Geography	18,832	0	31	56	13	0
Businesses by Geography	1,865	0	29	54	17	0
Farms by Geography	150	0	6	60	34	0
Family Distribution by Income Level	17,033	19	22	24	35	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,049	0	38	55	7	0
Median Family Income	= \$ 27,589	Median Housing Value				= \$ 39,031
HUD Adjusted Median Family Income for 1999	= \$ 36,700	Unemployment Rate				= 2.2%
Households Below the Poverty Level	= 13.62%	Montour County (November 1999)				= 4.2%
		Northumberland County (November 1999)				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census and 1999 HUD updated MFI.

### Description of AA

FNB has one AA in this Non-MSA area which consists of all four BNAs in Montour County and twelve BNAs in southern Northumberland County. This AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNB operates five offices and four ATMs in this AA, including their main office. This is the bank's primary trade area with 79.61% of FNB's deposits and 59.85% of all HMDA, small business, and small farm loan originations being generated in this area during the evaluation period. Major competitors include Sovereign Bank, Keystone Financial Bank N.A., Community Banks, N.A., First National Trust Bank, and Union National Bank. HMDA market share data indicates that FNB is the number one mortgage lender in this area with a market share of 16.03%. Also, FNB is ranked sixth in small business lending with a market share of 6.53%.

As of November 1999, the unemployment rates for Montour and Northumberland Counties were 2.2% and 4.2%, respectively. These compare favorably to the state average of 4.0%. The major employers in Montour County are Geisinger Medical Center and the Pennsylvania state government. The major employers in Northumberland County are Weis Markets Inc., American Home Foods Inc., and Northumberland County.



### Community Credit Needs

We contacted one housing organization in Montour County to discuss the credit needs in this AA. This contact did not identify any unmet credit needs. This organization indicated that affordable housing credit needs are being met by local financial institutions. We reviewed two previous community contacts made with a community service group and a neighborhood housing organization. They noted that the primary credit needs are affordable housing and home rehabilitation loan programs.

### Community Development Opportunities

The community contact gave insight into the community development investment opportunities in this AA. They indicated that there are not many community development opportunities because these are small counties and the majority of housing needs are being by the local banks and agencies. The previous community contacts in this area indicated that investment opportunities are limited due to the mature nature of the communities.

## Appendix C: Tables of Performance Data

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### 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/AA; 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/AA.

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/AA.
- 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/AA. 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 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table 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 the population within each geography. For borrower distribution, the table 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 of households by income level in each MSA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Evaluation Period: 01/01/1998 TO 12/31/1999										
MSA/AA	% of Rating Area Deposits in AA*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Rating Area Loans in AA (% of #)
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Scope</b>												
MSA 7560	15.88	199	8,975	355	3,064	2	16	01	2,200	2367	14,255	21.1824
Montour/Northumberland Counties	79.61	601	27,908	66	3,278	1	25	00	0	6688	31,211	59.9685
<b>Limited Scope</b>												
MSA 9140	4.51	188	10,912	222	2,065	0	0	1	2,000	2101	14,977	18.8591

\* Deposit Data as of June 30, 1999

**Table2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE										Evaluation Period: 01/01/1998 TO 12/31/1999						
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	Upp	#	% of Total**
<b>Full Scope</b>																
MSA 7560	0	0	11.00	8.00	84.00	86.00	4.00	6.00	16	1.6	0.0	0.09	1.98	0.0	36	14
Montour/Northumberland Counties	0	0	31.00	35.00	56.00	53.00	13.00	13.00	1	16.7	0.0	30.8	17.44. 5	2.36	171	66
<b>Limited Scope</b>																
MSA 9140	0	0	5.00	6.00	81.00	81.00	14.00	13.00	15	2.1	0.0	2.50	2.31	1.34	53	20

\* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

\*\* Home purchase loans within an MSA/JAA as a % of all home purchase loans in the rating area.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT																
Evaluation Period: 01/01/1998 TO 12/31/1999																
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	Upp	#	% of Total**
<b>Full Scope</b>																
MSA 7560	0	0	11.00	15.00	84.00	74.00	4.00	11	8	4.1	0.0	1.52.9	4.32	6.54.9	53	23
Montour/Northumberland Counties	0	0	31.00	27.00	56.00	49.00	13.00	24.00	3	14.4	0.0	19.5	14.6	6.14.3	132	57
<b>Limited Scope</b>																
MSA 9140	0	0	5.00	4.00	81.00	89.00	14.00	6.00	10	1.6	0.0	1.20.8	1.97	0.4	47	20

\* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

\*\* Home improvement loans within an MSA/AA as a % of all home improvement loans in the rating area.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1998 TO 12/31/1999						
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	Upp	#	% of Total**
<b>Full Scope</b>																
MSA 7560	0	0	11.00	19.00	84.00	77.00	4.00	4.00	2	4.6	0.0	2.11.9	3.8	1.0	110	22
Montour/Northumberland Counties	0	0	31.00	21.00	56.00	53.00	13.00	26.00	1	16.5	0.0	14.41	10.0	8.1	298	60
<b>Limited Scope</b>																
MSA 9140	0	0	5.00	2.00	81.00	80.00	14.00	18.00	16	2.0	0.0	0.3	1.5	1.5	88	18

\* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

\*\* Refinance loans within an MSA/AA as a % of all refinance loans in the rating area.



**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL BUSINESS																Evaluation Period: 01/01/1998 TO 12/31/1999	
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 Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**	
<b>Full Scope</b>																	
MSA 7560	0	0	11.00	11.00	81.00	86.00	8.00	3.00	19	0.7	0.0	0.3	0.9	0.0	35	28	
Montour/Northumberland Counties	0	0	29.00	6.00	54.00	68.00	17.00	26.00	6	6.5	0.0	2.9	5.6	19.7	66	54	
<b>Limited Scope</b>																	
MSA 9140	0	0	24.00	39.00	64.00	48.00	13.00	13.00	16	0.7	0.0	1.9	0.6	0.0	22	18	

\* Based on 1998 Aggregate Small Business Data Only. Market rank is for all income categories combined.

\*\* Small Business loans within an MSA/AA as a % of all Small Business loans in the rating area.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL FARM																
Evaluation Period: 01/01/1998 TO 12/31/1999																
MSA/Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Loans Small Farm Loans	
	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans	% of Farms	% Bank Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
<b>Full Scope</b>																
MSA 7560	0.00	0.00	3.00	0.00	88.00	100.00	9.00	0.00	36	0.0	0.0	0.0	0.0	0.0	2	67
Montour/Northumberland Counties	0.00	0.00	6.00	0.00	60.00	100.00	34.00	0.00	32	0.0	0.0	0.0	0.0	0.0	1	33
<b>Limited Scope</b>																
MSA 9140	0.00	0.00	3.00	0.00	91.00	0.00	6.00	0.00	7	2.70.0	0.0	0.0	2.70.0	0.0	0	0

\* Based on 1998 Aggregate Small Business Data Only. Market rank is for all income categories combined.

\*\* Small Farm loans within an MSA/AA as a % of all Small Farm loans in the rating area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HMDA HOME PURCHASE										Evaluation Period: 01/01/1998 TO 12/31/1999						
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	Upp	#	% of Total
<b>Full Scope</b>																
MSA 7560	17.00	12.00	2222.00	21.00	27.00	23.00	34.00	44.00	16	1.6	2.3	1.4	2.0	1.2	36	14
Montour/Northumberland Counties	19.00	10.00	22.00	22.00	24.00	31.00	35.00	37.00	1	16.7	20.0	11.4	17.7	11.9	171	66
<b>Limited Scope</b>																
MSA 9140	17.00	4.00	19.00	21.00	26.00	421.00	38.00	34.00	15	2.1	2.3	1.6	3.2	1.8	53	20

\* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 3% of loans originated by bank.

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT										Evaluation Period: 01/01/1998 TO 12/31/1999							
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	Upp	#	% of Total	
<b>Full Scope</b>																	
MSA 7560	17.00	8.00	22.00	8.00	27.00	25.00	34.00	59.00	8	4.1	2.4	1.0	4.3	6.8	53	23	
Montour/Northumberland Counties	19.00	8.00	22.00	19.00	24.00	35.00	35.00	38.00	3	14.4	5.9	9.9	16.6	15.8	132	57	
<b>Limited Scope</b>																	
MSA 9140	17.00	9.00	19.00	9.00	26.00	32.00	38.00	50.00	10	1.6	1.1	1.2	3.0	2.6	47	20	

\* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 2% of loans originated by bank.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE										Evaluation Period: 01/01/1998 TO 12/31/1999						
MSA/Assessment Area	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Overall Market Rank*	Market Share by Borrower Income*					Total Loans	
	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**	% of Families	% Bank Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
<b>Full Scope</b>																
MSA 7560	17.00	6.00	22.00	28.00	27.00	20.00	34.00	46.00	2	4.6	2.5	2.5	3.2	4.8	110	22
Montour/Northumberland Counties	19.00	6.00	22.00	15.00	24.00	22.00	35.00	57.00	1	16.5	3.6	5.9	5.5	14.4	298	60
<b>Limited Scope</b>																
MSA 9140	17.00	4.00	19.00	8.00	26.00	32.00	38.00	56.00	16	2.0	1.6	0.8	1.9	1.7	88	18

\* Based on 1998 Aggregate HMDA Data Only. Market rank is for all income categories combined.

\*\* As a percentage of loans with borrower income information available. No information was available for 2% of loans originated by bank.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL BUSINESS			Evaluation Period: 01/01/1998 TO 12/31/1999							
MSA/Assessment Area	Businesses With Revenues of \$1 million or less			% Distribution of Loans by Original Amount Regardless of Business Size			Market Share*		Total Small Business Loans	
	% Business**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
<b>Full Scope</b>										
MSA 7560	91.00	97.00	47.00	74.00	20.00	6.00	0.7	1.3	375	28
Montour/Northumberland Counties	93.00	100.00	65.00	86.00	11.00	3.00	6.5	10.1	66	54
<b>Limited Scope</b>										
MSA 9140	89.00	100.00	75.00	77.00	9.00	14.00	0.8	1.0	22	18

\* The market consists of all other Small Business reporters in Bank's AA and is based on 1998 Aggregate Small Business Data Only

\*\* Businesses with revenues of \$1 million or less as a percentage of businesses with known revenues.

\*\*\* Loans to businesses with revenues of \$1 million or less as a percentage of loans with revenue information available. No revenue information was available for 0% of small loans to businesses reported by the BANK.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL FARM										
Evaluation Period: 01/01/1998 TO 12/31/1999										
MSA/Assessment Area	Farms With Revenues of \$ 1million or less			% Distribution Loans by Original Amount Regardless of Farm Size			Market Share *		Total Small Farm Loans	
	% Farms**	% Bank Loans***	% Market Loans*	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$ 1 Million or Less	#	% of Total
<b>Full Scope</b>										
MSA 7560	99.00	100.00	100.00	100.00	0.00	0.00	0.0	0.0	2	4067
Montour/Northumberland Counties	97.00	100.00	90.00	100.00	0.00	0.00	0.0	0.0	1	33
<b>Limited Scope</b>										
MSA 9140	99.00	0.00	100.00	0.00	0.00	0.00	2.7	2.7	0	0

\* The market consists of all other Small Farm reporters in Bank's AA and is based on 1998 Aggregate Small Business Data Only

\*\* As a Percentage of Farms with known revenues.

\*\*\* As a percentage of loans with revenue information available. No information was available for 0% of loans originated by Bank.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS									
Evaluation Period: 10/01/1997 TO 12/31/1999									
MSA/Assessment Area	Prior Period Investments*		Current Period Investments		Total Investment			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total (% of \$)	#	\$(000's)
<b>Full Scope</b>									
MSA 7560	0	0	4	167	4	167	26	0	0
Montour/Northumberland Counties	0	0	06	117	6	117	18	0	0
<b>Limited Scope</b>									
MSA 9140	0	0	4	354	4	354	56	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that remains outstanding as of the examination date.

\*\* "Unfunded Commitments" means legally binding commitments reported on Report of Condition Schedule L-"Off-Balance Sheet Items".



**Table13. Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM																	
Evaluation Period: 10/01/1997 TO 12/31/1999																	
MSA/Assessment Area	Deposits	Branches						Branch Openings/Closings						Population			
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Branch Closings	# of Branch Openings	Net gain(+) / loss(-) of branches due to openings/closings				% of the Population with Each Geography*			
				Low (%)	Mod (%)	Mid (%)	Upp (%)			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Scope</b>																	
MSA 7560	15.88	2	25.00	0.00	50.00	50.00	0.00	0	0	0.00	50.00	50.00	0.00	0.00	10.56	86.02	3.41
Montour/Northumberland Counties	79.61	5	62.50	0.00	0.00	100.00	0.00	0	0	0.00	0.00	100.00	0.00	0.00	28.86	56.63	14.51
<b>Limited Scope</b>																	
MSA 9140	4.51	1	12.50	0.00	100.00	0.00	0.00	0	0	0.00	100.00	0.00	0.00	0.00	10.88	76.45	12.67

\* The percentage of the population in the MSA/AA that resides in these geographies.