



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

March 24, 2008

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Greencastle  
Charter Number 1081

Center Square  
Greencastle, PA 17225

Office of the Comptroller of the Currency

Western Pennsylvania (Pittsburgh)  
4075 Monroeville Blvd Building 2, Suite 300  
Monroeville, PA 15146

**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.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- FNBG's record of originating loans is more than reasonable as evidenced by its loan-to-deposit (LTD) ratio compared to its peers.
- FNBG originated a substantial majority of its residential real estate and business loans within its combined assessment areas (AAs).
- FNBG's record of originating residential real estate and business loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.
- FNBG's record of originating residential real estate and business loans reflects reasonable dispersion among AA geographies.
- FNBG's record of engaging in community development (CD) activities including loans, donations and services reflects adequate responsiveness to the needs of its AAs.

## **Scope of Examination**

We conducted an examination of First National Bank of Greencastle (FNBG) for the purpose of evaluating its performance relative to the Community Reinvestment Act (CRA). FNBG's CRA performance was evaluated under the Intermediate Small Bank (ISB) examination procedures. The ISB procedures include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

FNBG's primary loan products consist of residential mortgage and business loans. Residential mortgage lending includes home purchase, home improvement and home mortgage refinance loans. FNBG's record of originating residential mortgage and business loans was evaluated over the period between January 1, 2005 and December 31, 2007. The evaluation period relative to FNBG's lending performance represents the most recent three full years of FNBG's loan data and is considered to be representative of its lending strategy since the last CRA examination.

In order to evaluate FNBG's record of originating residential mortgage loans, we analyzed loan data FNBG collected and reported in accordance with Home Mortgage Disclosure Act (HMDA) requirements. In order to ensure the reliability of HMDA loan

data, we performed a data integrity examination during the first quarter of 2008.

In conjunction with the data integrity examination, we evaluated processes employed by FNBG to ensure the accuracy of collected HMDA data and tested a sample of FNBG's reported HMDA loans. Specifically, we tested the accuracy of FNBG's HMDA loan data by comparing it against corresponding loan file documentation. The data integrity examination revealed that FNBG's publicly available HMDA loan data could be relied upon for the purposes of this CRA evaluation.

In order to evaluate FNBG's record of originating business loans, we collected data from a random sample of business loans originated by FNBG during the evaluation period described above. The sample of business loans was expanded to ensure that data was collected and analyzed from a minimum number of loans from each AA. The minimum number of loans from which data was collected from each AA was equal to the lesser of either twenty loans or the total number of loans originated within an individual AA during the period.

FNBG's record of community development (CD) performance was evaluated over the period between September 24, 2002 and March 24, 2008. This period represents the time between FNBG's last CRA exam and the start of its current CRA exam. CD related activities include CD loans, investments and services.

## **Description of Institution**

First National Bank of Greencastle (FNBG) is an interstate community bank. FNBG's headquarters and main office are located in Greencastle, PA. The bank's total assets as of December 31, 2007 were \$532 million. FNBG is a wholly owned subsidiary of Tower Bancorp Inc., which is also located in Greencastle.

As of December 31, 2007, FNBG reported net loans of \$398 million and total deposits of \$440 million. Tier one capital totaled \$44 million. Net loans represented 74% of average assets. The bank's primary products consist of residential real estate loans (61%), commercial real estate loans (13%) and commercial and industrial loans (12%). The remainder of the bank's loan portfolio consists of other loan products including construction and development loans (5%) and consumer loans (4%).

In addition to its main office, FNBG operates fourteen other full service branch offices in three adjacent counties in Pennsylvania and Maryland. Specifically, FNBG operates nine branch offices in Franklin County Pennsylvania and two branches and a drive-up facility in Fulton County Pennsylvania. FNBG also operates three branch offices in Washington County Maryland. During the evaluation period, FNBG opened three new branch offices. Of the three branch openings, two were in Franklin County and one was in Washington County. The Franklin County, Lincoln Way East Branch was opened during 2003 within an upper-income geography. The Franklin County, Rouzerville Branch was opened during 2006 within a middle-income geography. The Washington County branch was opened in Hagerstown during 2005 within a moderate-income

geography. FNBG also acquired four full service branches and one drive-up facility in conjunction with a merger between FNBG and First National Bank of McConnellsburg during 2006. FNBG operates automated teller machines (ATMs) at each branch office location and operates ATMs remotely in six additional locations.

There are no factors, legal or otherwise, which would hinder FNBG's ability to help meet the credit needs of its AA's. FNBG's last Public Evaluation (PE) was dated September 24, 2002 and the overall CRA rating assigned was "Satisfactory."

## **Selection of Areas for Full-Scope Review**

AAs within the states and multi-state metropolitan areas where the bank operates were selected for full-scope reviews. The Hagerstown-Martinsburg Maryland West Virginia MSA (Hagerstown AA) and the Pennsylvania non-MSA counties of Franklin and Fulton (Franklin/Fulton AA) were selected for full scope reviews during this evaluation period. Refer to the "Scope" section under each State Rating section for details regarding how the areas were selected.

## **Ratings**

The bank's overall rating is a blend of the multistate metropolitan area rating(s) and state ratings. More weight was placed on the Pennsylvania state rating than on the Maryland state (Hagerstown-Martinsburg MD WV MSA) rating since the majority of the bank's deposits and loans are from Pennsylvania. FNBG has two AAs and full-scope reviews were performed for both.

## **Conclusions with Respect to Performance Criteria**

FNBG's performance under the Lending Test is considered to be "satisfactory." More weight was placed on FNBG's performance in Pennsylvania than its performance in Maryland. FNBG's deposit and loan market share are much greater in Pennsylvania than they are in Maryland. More weight was also placed on FNBG's record of originating loans among AA borrowers of different income levels and businesses of different sizes than its record of originating loans among AA geographies. FNBG's AAs do not contain any low-income geographies and contain a minimal number of moderate-income geographies. Additionally, more weight was placed on FNBG's record of originating residential real estate loans than its record of originating business loans since residential real estate lending represents a greater portion of FNBG's loan portfolio.

FNBG's performance under the lending test is satisfactory. FNBG's LTD ratio compares favorably to its peer group and a substantial majority of its residential mortgage and business loans are originated inside its combined AAs. FNBG's

geographic distribution of loans reflects reasonable dispersion among AA geographies and its borrower distribution reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

All lending test criteria are documented below:

### **Loan-to-Deposit Ratio**

FNBG's LTD ratio as compared to the average LTD ratio exhibited by peer banks over the same period is more than reasonable considering FNBG's size and the credit needs of its AAs.

The analysis of FNBG's record of lending, measured by its LTD ratio, was performed at the bank level. In order to evaluate FNBG's record of lending, we compared FNBG's LTD ratio against the average LTD ratio of a local peer group of similarly situated banks. The local peer group consisted of banks with assets totaling between \$140 and \$900 million that operate within the three counties in which FNBG operates as well as eleven adjacent Pennsylvania, Maryland and West Virginia counties.

Lending activity over the evaluation period was measured by comparing the twenty-two quarter-average, LTD ratios reported by FNBG and its local peer group. The twenty-two quarter average LTD ratio was calculated using financial data reported since the previous evaluation. The twenty-two consecutive quarters used to calculate the average LTD ratios included quarters ending between 9/30/02 and 12/31/07.

FNBG reported a twenty-two quarter average LTD ratio of 95%. In comparison, the local peer group reported a twenty-two quarter average LTD ratio of 89%.

FNBG's lending opportunities may be impacted by area loan demand and competition. Loan demand is impacted by housing availability and affordability. Loan demand is also impacted by competition emanating from other loan originators.

### **Lending in Assessment Area**

FNBG originated a substantial majority of residential real estate and business loans inside its combined AAs.

The analysis of FNBG's record of lending in its AAs was performed at the bank level. In order to evaluate FNBG's lending record we measured and analyzed FNBG's record of originating loans inside versus outside of its combined AAs. Further, this analysis focused on FNBG's record of originating residential mortgage and business loans within its combined AAs, since these loans constitute FNBG's primary loan products.

Lending within the AAs was assessed by measuring and analyzing residential real estate and business loans originated by FNBG during 2005, 2006, and 2007. We analyzed residential real estate data collected and reported over the evaluation period,

according to Home Mortgage Disclosure Act (HMDA) requirements. FNBG's residential real estate loan originations included loans for purposes of home purchase, home improvement, and home mortgage refinance. We also analyzed small loans to businesses by collecting data from a random sample of business loans originated by FNBG during 2005, 2006, and 2007

FNBG's residential real estate data revealed that 94% and 92%, respectively, of the number and dollar amounts of home mortgage loans were originated within the combined AAs during the evaluation period. Similarly, FNBG's business data revealed that 90% and 83%, respectively, of the number and dollar amounts of business loans were originated within the combined AAs during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.

## **Multistate Metropolitan Area Rating**

### **Hagerstown/Martinsburg Maryland West Virginia Metropolitan Statistical Area**

**CRA Rating for the Hagerstown/Martinsburg Maryland West Virginia Metropolitan Statistical Area<sup>1</sup>: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

- FNBG's record of originating residential real estate and business loans reflects good penetration among Hagerstown AA borrowers of different income levels and businesses of different sizes.
- FNBG's record of originating residential real estate and business loans reflects adequate dispersion among Hagerstown AA geographies.
- FNBG's record of funding CD loans and donations reflects adequate responsiveness to Hagerstown AA needs.
- FNBG's record of participating in CD services reflects adequate responsiveness to Hagerstown AA needs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area**

FNBG has designated one AA within the state of Maryland. FNBG's Maryland AA consists of selected geographies within Washington County which is located within the Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area. FNBG's Washington County AA is comprised of seven geographies within Hagerstown Maryland. Of the seven Hagerstown geographies, none are classified as low-income, one is classified as moderate-income and three each are classified as middle-and upper-income respectively.

FNBG operates a total of fifteen branch office locations. Of the fifteen branch office locations, FNBG operates just three of those branches in its Hagerstown AA. Relative to FNBG's total branch network, its Hagerstown AA branches represent 20% of the

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<sup>1</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.



total. One of the three branch offices is located within the Hagerstown AA's only moderate-income AA geography. Of the three branches FNBG operates within its Hagerstown AA, one branch was opened during 2005 and one branch was acquired during 2006.

Over the evaluation period, according to FDIC market share reports for Washington County Maryland, as of June 30, 2007, FNBG ranked twelfth for deposit market share among deposit taking financial institutions. FNBG garnered 1.6% of the total dollar amount of Washington County deposits. The bank that ranked first for Washington County deposit market share garnered 20% of the total dollar amount of county deposits.

For FNBG's Hagerstown AA, 2000 census data reports a total population of 29,238, total households of 11,991, and total families of 7,912. HUD data, updated for 2007, reports the Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area median family income to be \$57,700. Demographic information derived from annually updated HUD data, also reports that of total AA families, 14.95%, 16.89%, 24.14%, and 44.02% are of low, moderate, middle, and upper-income, respectively. The majority of households (77%) are supported by wage or salaried jobs. Of Hagerstown AA households, 16% report persons over sixty five, 28% derive income from social security and 9% are below poverty level. The 2000 census data also reports that 60% of housing units are owner-occupied and the median housing value equaled \$108,894. Housing stock consisted primarily of older homes with a median year built of 1959.

According to 2007 Dunn and Bradstreet business demographic data, 2,012 businesses operate within FNBG's Hagerstown AA, of which fifty-seven are farms. Of the 2,012 businesses operating within FNBG's Hagerstown AA, 1,484 reported annual revenues. Small (non-farm) businesses, which reported revenues less than or equal to \$1 million, totaled 1,311 and represented 67% of reporting AA businesses. Approximately 49% of Hagerstown AA businesses reported having less than four employees. Of Hagerstown AA businesses, 38% are classified as service related, 18% are classified as retail trade and 13% are non-classifiable. Additional Hagerstown AA businesses are classified as follows: construction (9%), finance, insurance and real estate (8%) manufacturing (4%) transportation and communication (4%), wholesale trade (3%) and agriculture, forestry and fishing (3%). Large Washington County employers include Citicorp credit Services, First Data Merchant Services, Mack Trucks and Washington County Hospital Association.

FNBG encounters competition within its Hagerstown AA for both deposits and loans. Area competition is considered to be strong and emanates from local community banks and regional financial institutions. Specifically, competition emanates primarily from several local and regional financial institutions, some of which have been established in the area for many years. Of FNBG's major local competitors, 65% operated three or more branches within the Hagerstown AA. These competitors included Susquehanna Bank, Hagerstown Trust Company, and Manufacturers and Traders Trust Company. Additional competitors operating multiple branch offices within the AA included larger multi-state financial institutions such as Countrywide, Wells Fargo, and Sovereign Bank.

Of FNBG's competitors within the Hagerstown AA, Susquehanna Bank has garnered the largest deposit market share (20%) and operates fifty-three branch offices.

Examiners initiated contact with a community-based organization within FNBG's Hagerstown AA. Specifically, examiners contacted the director of a local regional economic development commission. The contact identified community credit needs for affordable housing and small business financing. The contact described the loss of major local employers and the resulting impact on area employment and indicated that local employers experience difficulty in attracting and retaining qualified employees. The contact also stated that opportunities exist for local banks to participate in community development activities and advised that area financial institutions do a good job of meeting community needs.

## **SCOPE OF EVALUATION IN Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area**

A full-scope review of FNBG's performance in its Hagerstown AA was performed to assess FNBG's performance within the state of Maryland and the Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area.

In arriving at the Lending Test conclusions, less weight was placed on FNBG's performance in its Hagerstown AA than its performance in its Franklin/Fulton AA since this is the AA in which FNBG operates the fewest number of its branch offices and derives the fewest number of its deposits and loans.

FNBG's record of lending in its Hagerstown AA was evaluated by measuring and analyzing residential mortgage and business loans originated by FNBG during 2005, 2006 and 2007. More weight was placed on FNBG's record of originating residential mortgage loans than its record of originating business loans since residential mortgage lending represents a larger percentage of FNBG's loan portfolio.

Additionally, more weight was placed on FNBG's record of originating residential mortgage loans among AA borrowers of different income levels and businesses of different sizes than its record of originating residential mortgages and business loans among Hagerstown AA geographies. The majority of Hagerstown AA geographies are classified as middle-and upper-income. Of all Hagerstown AA geographies none are classified as low-income and just one is classified as moderate-income.

Residential mortgages consist of loans with purposes of home purchase, home improvement, and/or home mortgage refinance. FNBG reported its residential real estate loan originations according to Home Mortgage Disclosure Act (HMDA) requirements. In order to evaluate FNBG's record of originating residential mortgage loans, we measured and analyzed FNBG's reported HMDA data. In order to evaluate FNBG's record of originating business loans, we measured and analyzed FNBG loan data collected from the non-farm, non-residential, real estate loans and commercial and industrial loans originated by FNBG in its Hagerstown AA over the evaluation period.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area**

FNBG's performance under the lending test in the state of Maryland and the Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area is rated "satisfactory".

Conclusions were based on FNBG's performance within its Hagerstown AA. FNBG's performance within its Hagerstown AA included its record of originating residential real estate and business loans, funding CD loans and investments, and participating in CD services.

FNBG's record of originating residential real estate and business loans reflects good penetration among Hagerstown AA borrowers of different income levels and businesses of different sizes. FNBG's record of originating residential real estate and business loans reflects adequate dispersion among Hagerstown AA geographies. In addition, FNBG's record of participating in CD services reflects adequate responsiveness to AA needs, given the context in which FNBG operates.

### **LENDING TEST**

The bank's performance under the lending test in the state of Maryland and Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area is rated satisfactory.

FNBG's record of distributing residential real estate and business loans among AA borrowers of different income levels and businesses of different sizes is considered to be good. Similarly, FNBG's record of distributing residential real estate and business loans among AA geographies is considered to be adequate.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

FNBG's record of originating residential real estate and business loans reflects good penetration among Hagerstown AA borrowers of different income levels and businesses of different sizes.

FNBG's market share within in its Hagerstown AA is minimal as compared to their Franklin/Fulton AA market share. FNBG originated a total of thirty-six residential real estate loans within its Hagerstown AA over the three year evaluation period. Specifically, over the period, FNBG originated six, ten and twenty, home purchase, home improvement and home mortgage refinance loans respectively within the AA. Similarly, over the period, FNBG originated fourteen small business loans within its Hagerstown AA.

Residential Real Estate Lending

FNBG’s record of distributing residential real estate loan originations among Hagerstown AA borrowers of different income levels is good.

Data collected and reported by FNBG in accordance with HMDA requirements, reflecting residential real estate loan originations in its Hagerstown AA, was analyzed. The analysis was performed to assess FNBG’s record of distributing its residential real estate loan originations among AA borrowers of different income levels.

Demographic data, compiled during the 2000 census for FNBG’s Hagerstown AA, reports income levels of AA families as follows:

- 14.95% of AA families are low-income AA families
- 16.89% of AA families are moderate-income AA families
- 24.14% of AA families are middle-income AA families
- 44.02% of AA families are upper-income AA families

Hagerstown AA demographic information is derived from annually updated HUD data. Low-income Hagerstown AA families, by definition, are families with annual incomes below \$28,850. Moderate-income Hagerstown AA families, by definition, are families with annual incomes between \$28,850 and \$46,160.

The following table details the distribution of residential real estate loans originated by FNBG during the evaluation period in its Hagerstown AA among borrowers of different income levels.

<b>Table 1 – Borrower Distribution of Residential Real Estate Loans in Hagerstown AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Families	% of FNBG Loans	% of AA Families	% of FNBG Loans	% of AA Families	% of FNBG Loans	% of AA Families	% of FNBG Loans
Home Purchase	14.95%	0.00%	16.89%	50.00%	24.14%	0.00%	44.02%	50.00%
Home Improvement	14.95%	30.00%	16.89%	20.00%	24.14%	20.00%	44.02%	30.00%
Home Refinance	14.95%	10.00%	16.89%	15.00%	24.14%	15.00%	44.02%	60.00%

Source: Data reported under HMDA; U.S. Census data

Based on FNBG’s reported HMDA data, of all home purchase, home improvement, home and mortgage refinance loans originated by FNBG within its Hagerstown AA, 0%, 30% and 10% were originated to low-income borrowers and 50%, 20% and 15% were originated to moderate-income AA borrowers, respectively.

FNBG's record of originating home purchase and home mortgage refinance loans to low-income AA borrowers is lower than the percentage of AA families that are classified as low-income. However, FNBG's record of originating home improvement loans to low-income AA borrowers exceeds the percentage of AA families that are classified as low-income.

FNBG's record of originating home purchase and home improvement loans to moderate-income AA borrowers exceeds the percentage of AA families classified as moderate-income. However, FNBG's record of originating home mortgage refinance loans to moderate-income AA borrowers is lower than the percentage of AA families classified as moderate-income.

Opportunities for FNBG to originate residential real estate loans within the Hagerstown AA may be impacted by performance context and demographics, including FNBG's relatively recent entry into the heavily banked Hagerstown market, the extent to which the Hagerstown AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

### Business Lending

FNBG's record of distributing business loan originations among Hagerstown businesses of different sizes is good.

Data collected from the fourteen business loans FNBG originated over the evaluation period in its Hagerstown AA was analyzed. The analysis was performed to assess FNBG's record of distributing its business loan originations among AA businesses of different sizes.

Demographic data compiled from the 2000 census for FNBG's Hagerstown AA demonstrates that revenue was recorded as follows:

- 67.06% of AA businesses report annual revenues < or = \$1 million
- 5.98% of AA businesses report annual revenues > than \$1 million
- 26.96% of AA businesses did not report annual revenues

The following table details the distribution of business loans originated by FNBG during the evaluation period in its Hagerstown AA among businesses of different sizes.

Table 2 - Borrower Distribution of Loans to Businesses/Farms in Hagerstown AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.06%	5.98%	26.96%	100%
% of Bank Loans in AA by #	78.57%	21.43%	0%	100%
% of Bank Loans in AA by \$	49.09%	50.91%	0%	100%

*Source: Loan sample; Dunn and Bradstreet data*

Hagerstown AA demographic information derived from Dunn and Bradstreet reports that of total Hagerstown AA businesses, 1,428 or 73.0% reported annual revenues. Demographic information also reports that of AA businesses, 67.06% reported annual revenues of less than or equal to \$1 million and 5.98% reported annual revenues greater than \$1 million. Enterprises for which annual, gross revenues are \$1 million or less are classified as small businesses.

FNBG's record of originating loans to Hagerstown AA small businesses exceeds the percentage of AA businesses considered to be small. Seventy-eight percent (78.57%) of FNBG's business loans in the Hagerstown AA were originated to small businesses. Additionally, FNBG has demonstrated responsiveness to the needs of Hagerstown AA small businesses. The majority of business loans originated by FNBG represent the smaller dollar amounts needed by small businesses. For example, of Hagerstown AA business loans, the majority were originated for dollar amounts of \$100,000 or less.

### **Geographic Distribution of Loans**

FNBG's record of originating residential real estate and business loans reflects reasonable dispersion among Hagerstown AA geographies. Compared to its market share within its Franklin/Fulton AA, FNBG's market share within its Hagerstown AA is minimal.

#### **Residential Real Estate Lending**

FNBG's record of dispersing residential real estate loan originations among Hagerstown AA geographies is adequate.

Data collected and reported by FNBG in accordance with HMDA requirements was analyzed. The analysis was performed to assess FNBG's record of distributing its residential real estate loan originations among Hagerstown AA geographies.

Demographic data compiled during the 2000 U.S. census for FNBG's Hagerstown AA indicates that owner-occupied AA housing is geographically dispersed as follows:

- 4.14% of AA owner-occupied housing is located in moderate-income geographies
- 42.08% of AA owner-occupied housing is located in middle-income geographies
- 53.77% of AA owner-occupied housing is located in upper-income geographies

Hagerstown AA demographic information derived from 2000 census data revealed that just 4.14% of total AA owner-occupied housing units are located within the AA's moderate-income geography. The vast majority of all Hagerstown AA, owner-occupied housing is located within the AA's middle and upper-income geographies.

The following table details the distribution of residential real estate loans originated by FNBG during the evaluation period among its Hagerstown AA geographies.

<b>Table 2 – Geographic Distribution of Residential Real Estate Loans in Hagerstown AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of FNBG Loans	% of AA Owner Occupied Housing	% of FNBG Loans	% of AA Owner Occupied Housing	% of FNBG Loans	% of AA Owner Occupied Housing	% of FNBG Loans
Home Purchase	0.00	0.00	4.14	0.00	42.08	83.33	53.77	16.67
Home Improvement	0.00	0.00	4.14	0.00	42.08	70.00	53.77	30.00
Home Refinance	0.00	0.00	4.14	0.00	42.08	85.00	53.77	15.00

*Source: Data reported under HMDA; U.S. Census data*

Based on FNBG’s reported HMDA data, of all home purchase, home improvement and home mortgage refinance loans originated by FNBG within its Hagerstown AA, none were originated within the AA’s moderate-income geography.

FNBG’s record of originating home purchase loans within the AA’s moderate-income geographies is below the percentage of owner-occupied housing available within those geographies.

Opportunities for FNBG to originate residential real estate loans within the AA’s moderate-income geography may be impacted by performance context and demographics, including FNBG’s relatively recent entry into the heavily banked Hagerstown market, the limited availability of moderate-income geography, owner-occupied housing, the extent to which the Hagerstown AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

### Business Lending

FNBG’s record of dispersing business loan originations among Hagerstown AA geographies is reasonable.

Data collected from the fourteen business loans FNBG originated in its Hagerstown AA period was analyzed. The analysis was performed to assess FNBG’s record of distributing business loan originations among AA geographies.

Demographic data compiled during the 2000 U.S. census for FNBG’s Hagerstown AA indicates that AA businesses are geographically dispersed as follows:

- 9.97% of AA businesses are located in moderate-income geographies
- 42.76% of AA businesses are located in middle-income geographies
- 47.26% of AA businesses are located in upper-income geographies

Hagerstown AA demographic information derived from Dunn and Bradstreet reports that of all AA businesses, 9.97% are located within the AA's moderate-income geography.

Based on information derived from the business loans originated by FNBG within its Hagerstown AA, of the fourteen loans, 7.1% were originated within the AA's moderate-income geography.

Opportunities for FNBG to originate business loans within the AA's moderate-income geography may be impacted by the context in which FNBG operates, including FNBG's relatively recent entry into and limited presence within the heavily banked Hagerstown market.

### **Responses to Complaints**

No complaints have been received since the previous exam.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in the state of Maryland and Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area is rated satisfactory.

FNBG's record of providing CD services which reflect responsiveness to the needs of its Hagerstown AA is considered to be adequate. FNBG did not originate CD loans or investments within its Hagerstown AA during the evaluation period. FNBG representatives, however, participated in CD services which benefited its Hagerstown AA. Overall, FNBG's record of engaging in CD activities within its Hagerstown AA is considered to be adequate considering the context in which FNBG operates. FNBG entered relatively recently into the heavily banked, Hagerstown market in which it continues to have a limited presence.

### **Number and Amount of Community Development Loans**

FNBG did not originate any CD loans within its Hagerstown AA during the evaluation period. We determined that limited opportunities for CD lending exist within FNBG's Hagerstown AA. Competition emanating from both large regional and other area community financial institutions to originate CD loans is considered to be strong.



## **Number and Amount of Qualified Investments**

FNBG did not purchase any CD investments or fund any CD donations within its Hagerstown AA during the evaluation period. Limited opportunities for CD investments exist within FNBG's Hagerstown AA. Competition from both large regional and other area community financial institutions to purchase CD investments is considered to be strong.

However, FNBG invested a total of \$1 million in ten separate minority owned financial institutions. The financial institutions are located in Washington DC, Newark, NJ, Mobile AL, Houston, TX, Chicago IL, Denver CO, Suwanee GA, Hinckley MN and Houston and Mercedes TX. These investments in minority owned financial institutions have a CD purpose but are not considered to have the potential to directly benefit FNBG's Hagerstown AA.

## **Extent to Which the Bank Provides Community Development Services**

FNBG representatives, over the evaluation period, participated in CD services which were responsive to the needs of its Hagerstown AA. The Hagerstown CD services in which FNBG representatives participated are described below.

An FNBG loan officer served in an advisory capacity for an organization that focuses on building affordable homes for AA families in need. The Loan Officer served on the board of directors and on the family selection committee of the organization. The officer provided program recipients with home buying and home ownership counseling and participated in educational workshops. The educational workshops incorporate home ownership and credit counseling including resolving credit issues, qualifying for loans and budgeting.

An FNBG business development officer served as a committee member for a local civic organization. The organization's objectives include working with local agencies which serve and contribute directly to the community's economic progress. The officer in his capacity as a committee member, provided low-income AA families with budget management counseling.

An FNBG business development officer served as a committee member for a local non-profit organization. The organization promotes physical and emotional safety for victims of domestic abuse. In his capacity as a committee member, the officer raised and allocated funds for the non-profit organization based on financial need and budgetary constraints.

### **Accessibility of Services**

FNBG's services are accessible to Hagerstown AA residents through its branch office and ATM network as well as through its alternative delivery systems. In order to determine the extent of accessibility of FNBG's delivery systems, population demographics, branches and ATM locations were considered.

FNBG operates three of its twelve full service branch offices within its Hagerstown AA. Of the three branch offices, one office representing 33% of the total is located within the AA's moderate-income geography. In comparison, of the total population residing within the Hagerstown AA, 8.5% resides within the moderate-income geography. The vast majority of the Hagerstown AA population resides within its six middle-and upper-income geographies.

Of the three Hagerstown AA branch offices, one branch was opened during the evaluation period and one was acquired. Of these two branches, one was opened during 2005 within the moderate-income AA geography and the other branch was acquired in 2006 and is located within a middle-income AA geography. FNBG's record of branch openings over the evaluation period has had a positive impact on the accessibility of delivery systems throughout its Hagerstown AA geographies.

Additionally, FNBG provides accessibility to its services through its ATM network. FNBG operates ATMs at branch locations within its Hagerstown AA. FNBG also operates two stand-alone ATMs situated apart from its branch locations. Of these two ATMs, one is located at an airport and the other is located at a shopping center. FNBG also maintains an internet website. The internet website provides accessibility to transaction services such as bill paying, account transfers, and account activity viewing.

FNBG's products, services, and hours of operation are comparable among AA branch offices regardless of the income levels of the geographies in which they operate. FNBG's operating hours between Monday and Friday are supplemented by Saturday morning hours at all three branch offices. FNBG's traditional line of banking products and services are offered at all branch offices.

FNBG offers a variety of checking account products. One of the products is a no minimum balance, no monthly service fee checking account. The bank also provides these depositors with free checks.

FNBG maintains a twenty-four hour telephone banking system, providing customers with the ability to obtain account information, verify transactions and transfer funds between accounts. Specific information on how low and moderate-income AA residents are impacted by these services was not provided; therefore, significant weight was not placed on these alternative delivery systems.

### **Responsiveness to Community Development Needs**

Overall, FNBG's CD activities demonstrate adequate responsiveness to the needs of its Hagerstown AA based on the context in which FNBG operates. Identified community needs include affordable housing and small business financing. FNBG entered only recently into its Hagerstown AA and its presence remains limited in the heavily banked market. FNBG encounters competition from larger area financial institutions for opportunities to participate in local CD activities.

FNBG representatives participated in CD services by providing expertise related to banking. These CD services addressed community needs including affordable housing and economic progress and benefited FNBG's Hagerstown AA. FNBG also operates a bank branch within its Hagerstown AA that is accessible to residents of its moderate-income AA geography.

## State Rating

### State of Pennsylvania

#### **CRA Rating for Pennsylvania:<sup>2</sup> Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

- FNBG's record of originating residential real estate and business loans reflects good penetration among Franklin/Fulton AA borrowers of different income levels and businesses of different sizes.
- FNBG's record of originating residential real estate and business loans reflects good dispersion among Franklin/Fulton AA geographies.
- FNBG's record of funding Franklin/Fulton CD loans and donations reflects adequate responsiveness to AA needs.
- FNBG's record of participating in Franklin/Fulton CD services reflects adequate responsiveness to AA needs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN Pennsylvania**

FNBG has designated one AA within the state of Pennsylvania. FNBG's Pennsylvania AA consists of adjacent Franklin and Fulton Counties in their entirety. Neither Franklin nor Fulton County is located within a Metropolitan Statistical Area (MSA). FNBG's Franklin/Fulton AA is comprised of twenty-nine geographies. Twenty-six geographies comprise Franklin County and three geographies comprise Fulton County. Of the twenty-nine geographies, none are classified as low-income, two are classified as moderate-income, twenty are classified as middle-income and seven are classified as upper-income. Of the twenty geographies classified as middle-income, three comprise Fulton County in its entirety and are identified as middle-income underserved geographies.

FNBG operates a total of fifteen branch office locations. Of the fifteen branch office locations, FNBG operates twelve of those branches in its Franklin/Fulton AA. Specifically, FNBG operates ten and two branch offices in Franklin and Fulton Counties respectively. Relative to FNBG's total branch network, its Franklin/Fulton AA branches

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<sup>2</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

represent 80% of the total. Of the twelve branches FNBG operates within its Franklin/Fulton AA, one branch was opened and three branches were acquired during 2006.

Over the evaluation period, according to FDIC market share reports, for Franklin County Pennsylvania, as of June 30, 2007, FNBG ranked third for deposit market share among deposit taking financial institutions. For Fulton County, FNBG ranked first for deposit market share among deposit taking financial institutions. In Franklin County, FNBG garnered 16.58% of the total dollar amount of Franklin County deposits. In Fulton County FNBG garnered 47.73% of the total dollar amount of Fulton County deposits.

During the last three decades, Franklin County has grown in population and added jobs, the largest sector of which has been manufacturing. Fulton County, however, remains rural, more sparsely populated and in need of infrastructure development.

For FNBG's Franklin/Fulton AA, 2000 census data reports a total population of 143,574, total households of 56,233, and total families of 40,609. HUD data, updated for 2007, reports the Pennsylvania state-wide non-MSA median family income to be \$50,600. Demographic information derived from annually updated HUD data, also reports that of total AA families: 12.97%, 17.79%, 24.54% and 44.70% are classified as low, moderate, middle, and upper-income, respectively. The majority of households (75%) are supported by wage or salaried jobs. Of Franklin/Fulton AA households, 16% report persons over sixty five, 29% derive income from social security and 8% are below poverty level. The 2000 census data also reports that 69% of housing units are owner-occupied and the median housing value equaled \$93,403. Housing stock consisted primarily of older homes with a median year built of 1966.

According to the 2007 business demographic data, 8,676 businesses operate within FNBG's Franklin/Fulton AA, of which 782 are farms. Of the 8,676 businesses operating within FNBG's Franklin/Fulton AA, 6,403 reported annual revenues. Small (non-farm) AA businesses, which reported revenues less than or equal to \$1 million, totaled 5,183 and represented 66% of AA businesses. Approximately 61% of Franklin/Fulton AA businesses reported having less than four employees. Of Franklin/Fulton AA businesses, 32% are classified as service related, 16% are classified as retail trade and 13% are non-classifiable. Additional Franklin/Fulton AA businesses are classified as follows: construction (10%), agriculture, forestry and fishing (9%), finance, insurance and real estate (5%), manufacturing (5%), transportation and communication (4%), wholesale trade (3%), public administration (2%) and mining (1%).

Large Franklin County employers include Letterkenny Army Depot, Summit Health, Manitowoc Crane Group, Franklin County Government (county offices), Chambersburg Area School District, and Volvo Construction Equipment. Large Fulton County employers include JLG Industries, school districts, Mellott Industries (manufacturer of stone crushing machinery), and Fulton Precision Industries (manufacturer of gears for heavy machinery).

FNBG encounters competition within its Fulton/Franklin AA for both deposits and loans. Area competition is considered to be very strong and emanates from local community

banks, regional banks, national non-bank financing institutions, and mortgage companies. Specifically, Franklin/Fulton AA competition emanates primarily from several local and regional financial institutions, some of which have been established in the area for many years. Local competitors operating three or more branches within the Franklin/Fulton AA include Farmers & Merchants Trust of Chambersburg and Manufacturers & Traders Trust Co. Additional competitors operating multiple branch offices within the AA include Beneficial Company LLC, Countrywide Home Loans, and Wells Fargo Bank, NA. FNBG also competes for loans with larger financial institutions operating within the area.

Examiners initiated contact with two community-based organizations within FNBG's Franklin/Fulton AA, one each within Franklin and Fulton Counties respectively. Examiners contacted the president of an economic development authority serving Franklin County. The contact described the area as growing and identified community needs for infrastructure, affordable housing and a trained workforce. The contact described the degree of local financial institution involvement as strong and specifically mentioned area national banks.

Examiners also contacted the executive director of an industrial and economic development agency serving Fulton County. The contact identified community needs for infrastructure development, specifically citing public water and sewage systems. The contact described the involvement of local financial institutions as accommodating and receptive.

## **SCOPE OF EVALUATION IN Pennsylvania**

A full scope review of FNBG's performance in its Franklin/Fulton AA was performed to assess FNBG's performance within the state of Pennsylvania.

In arriving at the Lending Test conclusions, more weight was placed on FNBG's performance in its Franklin/Fulton AA than its performance in its Hagerstown AA since this is the AA in which FNBG operates the largest number of its branch offices and derives the largest number of its deposits and loans.

FNBG's record of lending in its Franklin/Fulton AA was evaluated by measuring and analyzing residential mortgage and business loans originated by FNBG during 2005, 2006 and 2007. More weight was placed on FNBG's record of originating residential mortgage loans than its record of originating business loans since residential mortgage lending represents a larger percentage of FNBG's loan portfolio. Additionally, more weight was placed on FNBG's record of originating residential mortgage loans among borrowers of different income levels and businesses of different sizes than its record of originating residential mortgages and business loans among Franklin/Fulton AA geographies. The majority of Franklin/Fulton AA geographies are classified as middle and upper-income. Of all Franklin/Fulton AA geographies none are classified as low-income and just two are classified as moderate-income.

Residential mortgages consist of loans with purposes of home purchase, home improvement, and/or home mortgage refinance. FNBG reported its residential real estate loan originations according to Home Mortgage Disclosure Act (HMDA) requirements. In order to evaluate FNBG's record of originating residential mortgage loans, we measured and analyzed FNBG's reported HMDA data. In order to evaluate FNBG's record of originating small business loans, we measured and analyzed FNBG loan data collected from a random sample of non-farm, non-residential, real estate loans and commercial and industrial loans originated by FNBG in its Franklin/Fulton AA over the evaluation period.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN Pennsylvania**

FNBG's performance under the lending test in the state of Pennsylvania is rated "satisfactory."

Conclusions were based on FNBG's performance within its Franklin/Fulton AA. FNBG's performance within its Franklin/Fulton AA included its record of originating residential real estate and business loans, funding CD loans and investments, and participating in CD services.

FNBG's record of originating residential real estate and business loans reflects good penetration among Franklin/Fulton AA borrowers of different income levels and businesses of different sizes. FNBG's record of originating residential real estate and business loans reflects reasonable dispersion among Franklin/Fulton AA geographies. In addition, FNBG's record of funding CD loans and donations and participating in CD services reflects adequate responsiveness to AA needs, given the context in which FNBG operates.

## **LENDING TEST**

The bank's performance under the lending test in the state of Pennsylvania is rated "satisfactory".

FNBG's record of distributing residential real estate and business loans among AA borrowers of different income levels and businesses of different sizes is considered to be good. FNBG's record of distributing residential real estate and business loans among AA geographies is also considered to be good.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

FNBG’s record of originating residential real estate and business loans reflects good penetration among Franklin/Fulton AA borrowers of different income levels and businesses of different sizes.

Compared to its market share within its Hagerstown AA, FNBG’s market share within its Franklin/Fulton AA is significant. FNBG originated a total of 1,354 residential real estate loans within its Fulton/Franklin AA over the three year evaluation period. Specifically over the period, FNBG originated 218, 351 and 785 home purchase, home improvement and home mortgage refinance loans respectively within its Franklin/Fulton AA.

**Residential Real Estate Lending**

FNBG’s record of distributing residential real estate loan originations among Franklin/Fulton AA borrowers of different income levels is reasonable.

Data collected and reported by FNBG in accordance with HMDA requirements, reflecting residential real estate loan originations in its Fulton/Franklin AA was analyzed. The analysis was performed to assess FNBG’s record of distributing its residential real estate loan originations among AA borrowers of different income levels.

Demographic data, compiled during the 2000 census for FNBG’s Franklin/Fulton AA, reports income levels of AA families as follows:

- 12.97% of AA families are low-income AA families
- 17.79% of AA families are moderate-income AA families
- 24.54% of AA families are middle-income AA families
- 44.70% of AA families are upper-income AA families

Fulton/Franklin AA demographic information is derived from annually updated HUD data. Low-income Franklin/Fulton AA families, by definition, are families with annual incomes below \$25,300. Moderate-income Franklin/Fulton AA families, by definition, are families with annual incomes between \$25,300 and \$40,480.

The following table details the distribution of residential real estate loans originated by FNBG during the evaluation period in its Fulton/Franklin AA among borrowers of different income levels.

<b>Table 1 – Borrower Distribution of Residential Real Estate Loans in Franklin/Fulton AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of FNBG Loans	% of AA Families	% of FNBG Loans	% of AA Families	% of FNBG Loans	% of AA Families	% of FNBG Loans
Loan type								



Home Purchase	12.97	2.88	17.79	19.71	24.54	22.60	44.02	54.81
Home Improvement	12.97	13.70	17.79	19.83	24.54	23.91	44.02	42.57
Home Refinance	12.97	16.16	17.79	15.20	24.54	24.51	44.02	54.13

Source: Data reported under HMDA; U.S. Census data

Based on FNBG's reported HMDA data, of all home purchase, home improvement and home mortgage refinance loans originated by FNBG within its Franklin/Fulton AA, 2.97%, 13.70% and 16.16% were originated to low-income AA borrowers and 19.71%, 19.83%, and 15.20% were originated to moderate-income AA borrowers respectively.

FNBG's record of originating home purchase loans to low-income AA borrowers is lower than the percentage of AA families classified as low-income. However, FNBG's record of originating home improvement and home mortgage refinance loans to low-income AA borrowers exceeds the percentage of AA families classified as low-income.

FNBG's record of originating home purchase and home improvement loans to moderate-income AA borrowers exceeds the percentage of AA families classified as moderate-income. However, FNBG's record of originating home mortgage refinance loans to moderate-income AA borrowers is lower than the percentage of AA families classified as moderate-income.

Opportunities for FNBG to originate residential real estate loans within the Franklin/Fulton AA may be impacted by performance context and demographics, including the extent to which the AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

## Business Lending

FNBG's record of distributing business loan originations among Franklin/Fulton businesses of different sizes is good.

Data collected from a random sample of business loans FNBG originated over the evaluation period in its Fulton/ Franklin AA was analyzed. The analysis was performed to assess FNBG's record of distributing its business loan originations among AA businesses of different sizes.

Business demographic data compiled from the 2000 census for FNBG's Fulton/Franklin AA demonstrates that revenue was recorded as follows:

- 65.66% of AA business report annual revenues < or = \$1 million
- 5.59% of AA business report annual revenues > than \$1 million
- 28.76% of AA businesses did not report annual revenues

The following table details the distribution of business loans originated by FNBG during the evaluation period in its Fulton/Franklin AA among businesses of different sizes.

<b>Table 2 – Borrower Distribution of Loans to Businesses/Farms in Fulton/Franklin AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.66%	5.59%	28.76%	100%
% of Bank Loans in AA by #	85.00%	15.00%	0%	100%
% of Bank Loans in AA by \$	21.00%	79.00%	0%	100%

*Source: Loan sample; Dunn and Bradstreet data*

Franklin/Fulton AA demographic information derived from Dunn and Bradstreet reports that of total Franklin/Fulton AA businesses, 7,894 or 71.2% reported annual revenues. Demographic information also reports that of AA businesses, 65.66% reported annual revenues of less than or equal to \$1 million and 5.59% reported annual revenues of greater than \$1 million. Enterprises for which annual, gross revenues are \$1 million or less are classified as small businesses.

Based on information derived from the random sample of business loans originated by FNBG within its Franklin/Fulton AA, 85% were originated to businesses considered to be small.

FNBG's record of originating loans to Fulton/Franklin AA small businesses exceeds the percentage of AA businesses considered to be small.

Additionally, FNBG has demonstrated responsiveness to the needs of Franklin/Fulton AA small businesses. The majority of business loans originated by FNBG to businesses represent the smaller dollar amounts needed by small businesses. For example, of analyzed AA small business loans, the majority were originated in amounts of \$100,000 or less.

### **Geographic Distribution of Loans**

FNBG's record of originating residential real estate and business loans reflects reasonable dispersion among Franklin/Fulton AA geographies. Compared to its market share within its Hagerstown AA, FNBG's market share within its Franklin/Fulton AA is significant. FNBG originated a total of 1,354 residential real estate loans within its Fulton/Franklin AA over the three year evaluation period. Specifically over the period, FNBG originated 218, 351 and 785 home purchase, home improvement and home mortgage refinance loans respectively within the AA.

#### **Residential Real Estate Lending**

FNBG’s record of dispersing residential real estate loan originations among Franklin/Fulton AA geographies is good.

Data collected and reported by FNBG in accordance with HMDA requirements was analyzed. The analysis was performed to assess FNBG’s record of distributing its residential real estate loan originations among Franklin/Fulton AA.

Demographic data compiled during the 2000 U.S. census for FNBG’s Franklin/Fulton AA indicates that owner-occupied AA housing is geographically dispersed as follows:

- 3.08% of AA owner occupied housing is located in moderate-income geographies
- 67.68% of AA owner occupied housing is located in middle-income geographies
- 29.24% of AA owner occupied housing is located in upper-income geographies

Franklin/Fulton AA demographic information derived from 2000 census data revealed that just 3.08% of total AA owner-occupied housing units are located within the AA’s moderate-income geographies. The vast majority of all Franklin/Fulton owner-occupied housing is located in the AA’s middle-and upper-income geographies.

The following table details the distribution of residential real estate loans originated by FNBG during the evaluation period among its Franklin/Fulton AA geographies.

<b>Geographic Distribution of Residential Real Estate Loans in Franklin/Fulton AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of FNBG Loans	% of AA Owner Occupied Housing	% of FNBG Loans	% of AA Owner Occupied Housing	% of FNBG Loans	% of AA Owner Occupied Housing	% of FNBG Loans
Home Purchase	0.00	0.00	3.08	5.96	67.68	72.94	29.24	21.10
Home Improvement	0.00	0.00	3.08	1.71	67.68	75.78	29.24	22.51
Home Refinance	0.00	0.00	3.08	2.29	67.68	66.24	29.24	31.46

*Source: Data reported under HMDA; U.S. Census data*

Based on FNBG’s reported HMDA data, of all home purchase, home improvement and home mortgage refinance loans originated by FNBG within its Franklin/Fulton AA, 5.96%, 1,71% and 2.29% respectively, were originated within the AA’s two moderate-income geographies.

FNBG’s record of originating home purchase loans within the AA’s moderate-income geographies exceeds the percentage of owner-occupied housing available within these geographies. FNBG’s record of originating home improvement and home mortgage refinance loans in the AA’s moderate-income geographies however, is less than the percentage of owner-occupied housing available within those geographies.

Opportunities for FNBG to originate residential real estate loans within the moderate-income AA geographies may be impacted by AA demographics, including the limited availability of moderate-income geography, owner-occupied housing, the extent to which the Franklin/Fulton AA population is age 65 or older, retired, eligible for social security and/or at or below poverty level.

### Business Lending

FNBG's record of dispersing business loan originations among Franklin/Fulton AA geographies is good.

Data collected from a random sample of business loans originated by FNBG in its Franklin/Fulton AA was analyzed. The analysis was performed to assess FNBG's record of distributing business loan originations among AA geographies.

Demographic data compiled during the 2000 U.S. census for FNBG's Franklin/Fulton AA indicates that AA businesses are geographically dispersed as follows:

- 7.82% businesses are located in moderate-income geographies
- 65.94% businesses are located in middle-income geographies
- 26.25% businesses are located in upper-income geographies

Franklin/Fulton AA demographic information derived from Dunn and Bradstreet reports that of all AA businesses, 8% are located within the AA's two moderate-income geographies.

Based on information derived from the random sample of FNBG's business loans, of business loans originated by FNBG within its Franklin/Fulton AA, 10% were originated within the two moderate-income AA geographies.

FNBG's record of originating business loans in Franklin/Fulton AA moderate-income geographies exceeds the percentage of AA businesses located within those geographies.

### Responses to Complaints

No complaints have been received since the previous exam.

### COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in the state of Pennsylvania is rated "satisfactory."

FNBG's record of engaging in CD activities which reflect responsiveness to the needs of its Franklin/Fulton AA is considered to be adequate. FNBG funded CD loans and

donations and FNBG representatives provided services which benefited its Franklin/Fulton AA. Overall, FNBG's record of engaging in CD activities within its Fulton/Franklin AA is considered to be adequate considering the context in which it operates. FNBG's opportunities to fund CD loans and investments, is limited by the extent to which CD loans and investments are available.

### **Number and Amount of Community Development Loans**

FNBG, over the evaluation period in its Franklin/Fulton AA, originated two CD loans totaling \$1.9 million. We determined that limited opportunities for CD development lending exist within FNBG's Franklin/Fulton AA. Competition emanating from both large regional and other area community financial institutions to originate CD loans is considered to be strong.

On June 3, 2005, FNBG originated a loan totaling \$1.6 million to a local ambulance service within a moderate-income AA geography targeted for economic redevelopment by local government. The proceeds of the loan funded the construction of a building to house ambulances. The new building site is situated along the main street of a local downtown area targeted for redevelopment.

On April 4, 2008, FNBG originated a loan totaling \$300,000 to a local non-profit agency. The purpose of the loan was to purchase land on which to house a shelter for battered women and their children.

### **Number and Amount of Qualified Investments**

FNBG, over the evaluation period, in its Franklin/Fulton AA funded nineteen qualified grants and donations totaling \$60,700 which benefited its Franklin/Fulton AA. These grants and donations supported local non-profit organizations focusing on various community development initiatives which included serving the needs of low and moderate-income Franklin/Fulton AA residents.

FNBG also invested a total of \$1 million in ten separate minority owned financial institutions. The financial institutions are located in Washington DC, Newark, NJ, Mobile AL, Houston, TX, Chicago IL, Denver CO, Suwanee GA, Hinckley MN and Houston and Mercedes TX. Although, these investments in minority owned financial institutions have a CD purpose, they are not considered to have the potential for benefiting FNBG's Franklin/Fulton AA.

### **Extent to Which the Bank Provides Community Development Services**

FNBG representatives, over the evaluation period, participated in CD services which were responsive to the needs of its Franklin/Fulton AA. Specifically, twelve FNBG representatives provided banking expertise through their participation in thirteen CD services. The CD services in which FNBG representatives participated were responsive to the needs of its Franklin/Fulton AA. The CD services met AA CD needs including

needs for financial services and education. The Franklin/Fulton CD services in which FNBG representatives participated are described below.

An FNBG branch administrator served as a volunteer financial counselor for abused women housed at a local AA battered women's shelter. The administrator counsels the women on financial matters including but not limited to banking.

An FNBG commercial loan manager served as chair of the loan review committee of a local area development corporation. The development corporation implements and promotes a comprehensive county-wide economic development strategy, which strives to create an atmosphere of planned growth and family sustainable employment opportunities. The loan manager provides the development corporation with his underwriting and management expertise.

An FNBG executive served on the board of directors of the above mentioned local area development corporation. The executive provides the development corporation with oversight and management expertise.

An FNBG loan officer served as a member of the loan review committee for a local development organization. The organization is a non-profit regional economic and community development organization serving the Pennsylvania Counties of Bedford, Blair, Cambria, Fulton, Huntingdon and Somerset. The loan officer provides the loan review committee of the organization with financing and underwriting expertise.

An FNBG board member and an FNBG loan officer served on the board of directors of a local community health center. The health center serves the Fulton County area which is comprised of middle-income underserved AA geographies which by definition are in need of infrastructure including health care. The mission of the health center is to improve lives by providing high quality health care, regardless of ability to pay, to all community residents.

An FNBG officer served on the board of directors of a local non-profit regional economic and community development organization. The community development organization serves Pennsylvania counties including the middle-income underserved geographies comprising Fulton County. The organization provides financial assistance and guidance to displaced workers. The officer provides banking expertise through his delivery of identity theft seminars.

An FNBG loan officer served on the loan review committee for an industrial development association. This development association serves as a one-stop-shop for workforce and economic development and seeks to meet the credit needs of small businesses and small farms. The association serves Fulton County which is comprised entirely of middle-income underserved AA geographies. The loan officer provides banking and lending expertise through his role on the association's loan review committee.

Another FNBG loan officer served on the board of directors for a local chapter of a non-profit, affordable housing organization. The organization works in partnership with AA

residents to provide decent, affordable housing through new construction and/or renovation. The housing is sold to those in need at no profit and with no interest charged. The loan officer provides banking expertise through his role in counseling partner families.

An FNBG regional office manager served as a member of a local chamber of commerce. The chamber serves Fulton County which is comprised in its entirety of middle-income underserved geographies. The manager provides banking expertise through his delivery of presentations on various banking related subjects including identify theft and money management including checking and saving account use. Groups to which presentations have been delivered include students attending a local area vocational school located in a middle-income underserved geography.

An FNBG commercial loan officer served as treasurer for a local industrial development corporation. The development corporation was formed to provide oversight for a local AA industrial park within which lots are zoned for sale. The loan officer provides banking expertise to the corporation in his role as treasurer.

The FNBG security officer served on a local county planning commission. The planning commission provides infrastructure support to the middle-income underserved geographies that comprise Fulton County. These underserved geographies are by definition are in need of infrastructure. The officer provides banking expertise to the commission through his participation in county infrastructure plans.

The security officer also served a local township located in a middle-income, underserved geography. The township provides transportation infrastructure support to the underserved geography, which by definition is in need of infrastructure. The officer provides banking expertise through his execution of the township's annual audit.

### Accessibility of Services

FNBG's services are accessible to Franklin/Fulton AA residents through its branch office and ATM network as well as through its alternative delivery systems. In order to determine the extent of accessibility of FNBG's delivery systems, population demographics, branches and ATM locations were considered.

FNBG operates twelve of its fifteen full service branch offices within its Franklin/Fulton AA. Of the twelve branch offices, none are located within either moderate-income AA geography. One branch however, is located in Waynesboro within two blocks of a moderate-income AA geography and is considered to be accessible to its residents. Additionally, another branch is located in Chambersburg within seven blocks and less than one mile from another moderate-income AA geography.

In comparison, of the total population of FNBG's Franklin/Fulton AA, just 5.2% resides in the two moderate-income AA geographies. The vast majority of FNBG's Franklin/Fulton AA population resides within middle and upper-income AA geographies.

Of the twelve branch offices, two full service branches are located within Fulton County. Additionally a drive-up facility is also located within Fulton County. Fulton County in its entirety is comprised of middle-income geographies, all of which are considered to be underserved. Therefore, these two branches and drive-up facility provide accessibility to the residents of the middle-income, underserved geographies in FNBG's Franklin/Fulton AA.

Of the twelve branch offices, one branch was opened and three branches were acquired during the evaluation period. The branch opening occurred during 2006 within a middle-income AA geography. The branch acquisitions occurred during 2006 also within middle-income AA geographies.

Additionally, FNBG provides accessibility to its services through its ATM network. FNBG operates ten ATMs at branch locations, one ATM at its drive-up only location and four stand-alone ATM's within its Franklin/Fulton AA. FNBG also has two ATMs that are situated apart from its branch locations. One is located at an airport and the other is located in a shopping center. FNBG also maintains an internet website. The internet website provides accessibility to online banking, transaction services such as bill paying, account transfers, and account activity viewing.

FNBG's products, services, and hours of operation are comparable among AA branch offices regardless of the income levels of geographies in which they operate. FNBG's operating hours between Monday and Friday are supplemented by Saturday morning hours at ten branch offices. FNBG's traditional line of banking products and services are offered at each of the twelve branch offices.

FNBG offers a variety of checking account products. One of the products is a no minimum balance, no monthly service fee checking account. The bank also provides these depositors with free checks.

FNBG maintains a twenty-four hour telephone banking system, providing customers with the ability to obtain account information, verify transactions and transfer funds between accounts. Specific information on how low and moderate-income AA residents are impacted by these services was not provided; therefore, significant weight was not placed on these alternative delivery systems.

### **Responsiveness to Community Development Needs**

Overall, FNBG's community development activities demonstrate adequate responsiveness to the needs of its Franklin/Fulton AA based on the context in which FNBG operates. Identified community needs include affordable housing and infrastructure development. FNBG encounters competition from larger area financial institutions for opportunities to participate in local CD activities.

FNBG funded two CD loans and nineteen donations. FNBG representatives also provided banking expertise through participation in thirteen CD services. These CD activities addressed community needs including affordable housing and infrastructure



development and benefited FNBG's Franklin/Fulton AA. FNBG also operates bank facilities within its Franklin/Fulton AA that are accessible to residents of moderate-income and middle-income underserved AA geographies.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: January 1, 2005 to December 31, 2007 Community Development Test: September 24, 2002 to March 24, 2008	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Greencastle (FNBG) Greencastle PA)	Residential Real Estate Loans Business Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area Pennsylvania	Full-Scope  Full-Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
First National Bank of Greencastle	Satisfactory	Satisfactory	Satisfactory
Hagerstown/Martinsburg Maryland West Virginia Multistate Metropolitan Area	Satisfactory	Satisfactory	Satisfactory
Pennsylvania	Satisfactory	Satisfactory	Satisfactory