MOST RECENT CRA PUBLIC PERFORMANCE EVALUATION

PUBLIC DISCLOSURE

November 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ACNB Bank Certificate Number: 07506

16 Lincoln Square
Gettysburg, Pennsylvania 17325

Federal Deposit Insurance Corporation Division of Depositor and Consumer Protection New York Regional Office

350 Fifth Avenue, Suite 1200 New York, NY 10118

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 RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	**Investment Test**	**Service Test**
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	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 Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to the credit needs of the assessment areas.
- A high percentage of loans are made in the bank's assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different size.
- The bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The bank has made an adequate level of community development loans.

The Investment Test is rated Low Satisfactory.

- The bank has an adequate level of qualified community development investments and donations, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits adequate responsiveness to credit and community economic development needs.
- The bank rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated <u>Low Satisfactory</u>.

- Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas.
- To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The bank provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION

Background

ACNB Bank (ACNB) is a full-service community bank headquartered in Gettysburg, Pennsylvania (PA). The bank operates throughout south-central PA in Adams, Cumberland, Franklin, and York Counties, and in northern Maryland (MD) in Carroll and Frederick Counties. As of January 2023, NWSB Bank and FCB Bank were rebranded as ACNB Bank and the offices formerly operating as NWSB Bank and FCB Bank in Carroll County and Frederick County, respectively, now operate fully as ACNB branches.

ACNB is a wholly owned subsidiary of ACNB Corporation, a one-bank holding company also headquartered in Gettysburg, PA. ACNB Corporation also wholly owns ACNB Insurance Services, Inc., its insurance subsidiary. The bank received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated March 24, 2022, using the Interagency Large Institution Examination Procedures.

Operations

ACNB operates 25 full-service brick and mortar branch offices, one limited-service detached/drive through location, and three loan production offices (LPOs) in PA and MD. All full-service and limited-service locations have an automated teller machine (ATM), as does the operations center. In addition, ACNB maintains two proprietary cash-only dispensing ATMs within Cumberland County, PA. Elsewhere, ACNB offers surcharge free ATM usage throughout 500 or more Sheetz Inc. convenience store locations.

Branch and ATM Distribution by Geography Income Level

Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	17	5.2	44,991	3.2	0	0.0
Moderate	44	13.5	179,355	12.6	5*	19.2
Middle	196	60.3	878,932	61.9	17	65.4
Upper	65	20.0	308,407	21.7	4	15.4
NA	3	1.0	8,614	0.6	0	0.0
Total	**325**	**100.0**	**1,420,299**	**100.0**	**26**	**100.0**

Source: 2015 ACS Data; Bank Data; '' indicates inclusion of limited-service drive through location*

ACNB closed five branches in the fourth quarter of 2022. The Arendtsville and Bendersville branch locations merged into the relocated Upper Adams Branch, the bank closed two full-service branch locations in Hampstead and Frederick, MD, and the final closure involved a limited-service detached/drive through location in Gettysburg, PA.

Of the branch offices in PA, 10 are in Adams County, 1 is in Cumberland County, 1 is in Franklin County, and 5 are in York County. Of the branch offices in MD, five are in Carroll County and four are in Frederick County. The bank's LPOs are located in Lancaster and York Counties, PA, and Baltimore County, MD.

ACNB offers residential, consumer, commercial, and agricultural loan products. ACNB offers a variety of deposit services including checking, savings, club, money market, certificates of deposit, and individual retirement accounts. The bank also offers investment advisory and trust services. ACNB Corporation's insurance subsidiary, ACNB Insurance Services, Inc., is a full-service agency with licenses in 44 states. The agency offers a broad range of commercial and personal insurance lines through offices in Westminster, Germantown, and Jarrettsville, MD, and Gettysburg, PA. Alternative banking services include internet and mobile banking, electronic bill pay, and ATMs.

Ability and Capacity

Bank assets totaled $2.4 billion as of September 30, 2024, which includes total loans of $1.7 billion and total securities of $482.7 million. ACNB reported total deposits of $1.8 billion. Since the prior evaluation, total assets, total deposits, and total securities decreased by 11.8 percent, 25.3 percent, and 20.1 percent, respectively, while total loans increased by 13.0 percent. Management attributes the decreases to budgetary shifts and changeover in senior financial oversight, and attributes the increase in total loans to organic growth.

The following table illustrates ACNB's loan portfolio as of September 30, 2024.

Loan Portfolio Distribution as of September 30, 2024		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	75,953	4.5
Secured by Farmland	99,758	5.9
Secured by 1-4 Family Residential Properties	485,794	29.0
Secured by Multifamily (5 or more) Residential Properties	79,581	4.7
Secured by Nonfarm Nonresidential Properties	778,565	46.4
Total Real Estate Loans	**1,519,651**	**90.5**
Commercial and Industrial Loans	84,286	5.0
Agricultural Production and Other Loans to Farmers	10,831	0.7
Consumer Loans	9,634	0.6
Obligations of State and Political Subdivisions in the U.S.	53,403	3.2
Other Loans	387	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**1,678,192**	**100.0**
Source: Reports of Condition and Income		

What is not reflected in the table above are the banks secondary market activities, which includes mortgage sales. During the review period, the bank sold approximately 86 mortgages for $19.5 million.

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its supervisory agency will evaluate its CRA performance. ACNB designates four assessment areas located within the two state-rated areas of PA and MD. Examiners consolidated the MD assessment areas into one assessment area. Within PA, the bank designates one assessment area that includes portions of the Harrisburg-York-Lebanon, PA Combined Statistical Area #276 (Harrisburg-York CSA), and the bank designates one assessment area that includes all of the Chambersburg-Waynesboro, PA Metropolitan Statistical Area #16540 (Chambersburg MSA). Within MD, the bank designates two assessment areas that includes portions of Baltimore-Columbia-Towson, MD MSA 12580 and Frederick-Gaithersburg-Rockville, MD MSA 23224. The portions of those designated MSAs fall within the greater Washington- Baltimore-Arlington, DC-MD-VA-WV-PA CSA #548 (Washington CSA), which examiners cite as a consistent and relevant presentation for analysis of the MD assessment areas. Collectively, examiners refer to these assessment areas as the overall assessment area.

In the first quarter of 2023, ACNB expanded its Harrisburg-York CSA and Chambersburg MSA assessment areas to include all census tracts in Cumberland and Franklin Counties, PA, demonstrating consistency in the delineation of full-county areas. The tables within the Lending Test reflect this expanded area. Additional descriptions of economic and demographic data are contained within the sections addressing each individual assessment area

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 24, 2022, to the current evaluation dated November 18, 2024. Examiners used the Interagency Large Institution Examination Procedures to evaluate ACNB's CRA performance. These procedures include the Lending Test, Investment Test, and Service Test. Please refer to the Appendices for a complete description of these tests.

Activities Reviewed

Examiners determined ACNB's major product lines are home mortgage, small business loans, and small farm loans. This conclusion considered the bank's business strategy, as well as the number and dollar volume of loans originated during the evaluation period. The volume of home mortgage loans exceeded that of small business and small farm loans during the review period. Therefore, examiners gave more weight to home mortgage lending for overall conclusions. The bank originated a low volume of consumer loans during the evaluation period; therefore, this evaluation does not consider consumer lending a major product line for evaluative purpose.

Examiners reviewed home mortgage loans reported on the bank's 2022 and 2023 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). ACNB reported 1,011 home mortgage loans totaling $160.1 million in 2022 and 795 home mortgage loans totaling $137.8 million in 2023. Examiners also reviewed small business and small farm loans reported on the bank's 2022 and 2023 CRA Loan Registers. ACNB originated 277 small business loans totaling $46.9 million in 2022 and 235 small business loans totaling $54.1 million in 2023. Furthermore, ACNB originated 42

small farm loans totaling $7.5 million in 2022 and 55 small farm loans totaling $10.3 million in 2023.

Examiners did not consider small farm loans made within the Chambersburg MSA, assessment area as the bank only originated one farm loan in 2022 and two small farm loans in 2023 in this area. This level is too low for analysis. The product mix remained similar through the evaluation period.

For the bank's 2022 and 2023 performance under the geographic distribution and borrower profile criteria, examiners compared the bank's home mortgage lending to aggregate data and the U.S. Census Bureau's 2020 census data. For 2022 and 2023 small business and farm lending performance under the same criteria, examiners compared the bank's performance to aggregate data and Dun & Bradstreet (D&B) demographic data. Although this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number volume because the number of loans is a better indicator of individuals and businesses served.

The Lending Test also considered community development loans and loans originated under the bank's innovative and flexible lending programs since the prior evaluation. The Investment Test includes both qualified investments purchased prior to the last evaluation that remain outstanding, as well as investments purchased and donations/grant activities made during the current evaluation period. The Service Test includes all community development services that the bank performed since the last evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

ACNB's Lending Test rating is "High Satisfactory." The bank's good performance in the Lending Activity, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criterion primarily supports this rating. ACNB's overall Lending Test performance was consistent with the conclusions for the PA and MD rated areas. The bank's performance in the PA rated area contributed the most weight when arriving at conclusions for each performance criteria in the Lending Test.

This section presents ACNB's Lending Test performance at the institution level. Refer to the individual assessment area sections for detailed discussions of the bank's Lending Test performance.

Lending Activity

The bank's lending levels reflect good responsiveness to assessment area credit needs. During the review period, the bank originated 1,806 home mortgage loans totaling $297.9 million, 512 small business loans totaling $101.0 million, and 97 small farm loans totaling $17.8 million.

The volume of home mortgage loans represents a moderate decrease in activity from the prior evaluation period, when 2020 and 2021 performance were 2,339 loans for a total of $451.3 million. Management cites a rising interest rate environment, combined with economic pressures, as causes for the recent decline in home mortgage loan activities.

For small business lending activity, the same period of 2020 and 2021 is a considerable departure from normal lending levels, as the COVID-19 pandemic relief measures provided for exceptional lending spikes through the SBA paycheck protection program (PPP). Therefore, examiners cite the 2019 benchmark of 205 small business loans for $37.7 million as an indicative comparator within the prior evaluation period. The current small business volume is a moderate increase in performance for this category of lending. The volume of small farm lending represents a consistent level of activity from the prior evaluation period, when 2020 and 2021 performance were 113 loans for a total of $17.3 million.

Refer to the Lending Activity comments in the Lending Test sections for each of ACNB's assessment areas for details.

Assessment Area Concentration

ACNB made a high percentage of home mortgage, small business, and small farm loans within its assessment areas. Please refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	$	%	$	%	$
Home Mortgage										
2022	936	92.6	75	7.4	1,011	123,915,601	77.4	36,189,355	22.6	160,104,956
2023	723	90.9	72	9.1	795	113,631,299	82.5	24,127,473	17.5	137,758,772
Subtotal	**1,659**	**91.9**	**147**	**8.1**	**1,806**	**237,546,900**	**79.8**	**60,316,828**	**20.2**	**297,863,728**
Small Business										
2022	243	87.7	34	12.3	277	35,812,000	76.3	11,121,000	23.7	46,933,000
2023	182	77.4	53	22.6	235	38,500,000	71.2	15,579,000	28.8	54,079,000
Subtotal	**425**	**83.0**	**87**	**17.0**	**512**	**74,312,000**	**73.6**	**26,700,000**	**26.4**	**101,012,000**
Small Farm										
2022	31	73.8	11	26.2	42	5,781,000	77.1	1,718,000	22.9	7,499,000
2023	50	90.9	5	9.1	55	9,213,000	89.2	1,120,000	10.8	10,333,000
Subtotal	**81**	**83.5**	**16**	**16.5**	**97**	**14,994,000**	**84.1**	**2,838,000**	**15.9**	**17,832,000**
Total	**2,165**	**89.6**	**250**	**10.4**	**2,415**	**326,852,900**	**78.4**	**89,854,828**	**21.6**	**416,707,728**

Source: Bank Data. Due to rounding, totals may not equal 100.0%. Dollar amounts for Home Mortgage, Small Business, and Small Farm loans are multiplied by 1000.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. The bank's good lending performance in both the PA and MD rated areas supports this conclusion

The limited presence of housing, small businesses, and small farms within those low-income areas presents minimal opportunities for lending in the combined and individual assessment areas.
Therefore, the bank's lending across all three loan types favors moderate-income areas.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different incomes levels and business customers of different size. The bank's good performance of lending to low- and moderate-income borrowers, and to farms with GARs of $1 million or less in both the PA and MD rated areas supports this conclusion.

Community Development Loans

ACNB made an adequate level of community development loans. During the evaluation period, the bank originated 42 community development loans totaling $22.9 million. This level of activity represents 0.9 percent of average total assets and 1.4 percent of average total loans. ACNB's performance is similar in number volume, but lower in dollar volume, when compared to the prior evaluation. At the prior evaluation, the bank originated 46 community development loans totaling $35.6 million, representing 1.6 percent of average total assets and 2.4 percent of average total loans at that evaluation. However, 32 of the community development loans totaling $15.8 million were PPP loans. The bank primarily focused on affordable housing lending. The following table illustrates the bank's community development lending activity by rated area and purpose.

Community Development Lending by Rated Area										
Rated Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Pennsylvania	24	7,616	0	0	0	0	0	0	24	7,616
Maryland	18	15,258	0	0	0	0	0	0	18	15,258
Total	**42**	**22,874**	**0**	**0**	**0**	**0**	**0**	**0**	**42**	**22,874**
Source: Bank Data										

For additional details on community development loans, please refer to the individual assessment area sections.

Innovative or Flexible Lending Practices

ACNB uses innovative and/or flexible lending practices to serve assessment area credit needs. Apart from the Maryland Agricultural Land Preservation Foundation (MALPF) loans, the bank offers each of the products discussed below throughout all of its assessment areas. Therefore, examiners rated and discussed the bank's performance under this criterion at the institution level only. The following table details the number and dollar volume of loans originated through innovative or flexible lending programs during the review period.

Innovative or Flexible Lending Programs								
Type of Program	**2022**		**2023**		**YTD 2024**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Residential:								
Home Possible	2	311.8	0	0	2	366.5	**4**	**678.3**
Home Ready	3	446.8	0	0	1	175.2	**4**	**622.0**
USDA RD	1	232.3	2	381.3	1	242.4	**4**	**856.1**
Agricultural:								
Guaranteed Farm Loans	1	355.0	1	287.5	0	0	**2**	**642.5**
MALPF	2	1,825.0	0	0	1	187.6	**3**	**2,012.6**
NRCS	0	0	1	200.0	0	0	**1**	**200.0**
Consumer:								
Small Dollar Lending	25	49.8	29	49.8	56	79.7	**110**	**179.3**
Totals	**34**	**3,220.7**	**33**	**918.6**	**61**	**1,051.4**	**128**	**5,190.7**
Source: Bank Data								

The following list highlights the innovative and flexible lending programs ACNB offers:

- *Home Possible*: Home Possible is a loan program offered through the Federal Home Loan Mortgage Corporation (Freddie Mac) designed specifically for low-income first-time home buyers and retirees. The advantages of this loan program are a lower qualifying credit score of 620, down payments as low as three percent, reduced mortgage insurance costs, and flexible funding. It is permissible to use grants as sources of funds for down payment and closing costs. To be eligible for this loan program, applicants' income must be limited to 80.0 percent of the median area income.

- *HomeReady*: HomeReady is a loan program offered through the Federal National Mortgage Corporation (Fannie Mae) that benefits low- and moderate-income creditworthy borrowers. The advantages of this loan program are a lower qualifying credit score of 620, a low-down payment of three percent, reduced mortgage insurance costs, competitive pricing, and flexible funding. Additionally, borrowers may use grants as sources of funds for down payment and closing costs.

- *Rural Development (RD) Single Family Housing Guaranteed Loan Program*: This program, offered through the U.S. Department of Agriculture (USDA), provides low- and moderate-income households the opportunity to own decent and safe residences in eligible rural areas. Applicants may purchase, build, rehabilitate, improve, or relocate a dwelling with 100 percent financing. The program provides a 90 percent loan note guarantee to approved lenders to reduce the risk of possible financial loss.

- *Guaranteed Farm Loans:* Guaranteed Farm Loans is a loan program offered through the USDA's Farm Service Agency (FSA). The program helps family farmers and ranchers to obtain loans from USDA-approved commercial lenders at reasonable terms to buy farmland or finance agricultural production. The FSA guarantees these farm loans up to 95 percent against possible financial loss.

- *MALPF*: This state program's mission is to provide funding for farmland preservation to establish Priority Preservation Areas. Participating counties are required to designate Priority Preservation Areas through a comprehensive plan process. Qualified borrowers can receive proceeds to preserve their land and property for agricultural use. The bank only offers this program within its Washington CSA assessment area.

- *USDA Natural Resource Conservation Service (NRCS) loan program:* ACNB began offering the NRCS lending within the review period, which serves to extend credit specifically for farmers and ranchers looking to implement conservation practices. This may include installing conservation structures or water conservation measures, establishing forest cover, improving permanent pastures, transitions to organic production, and other approved NRCS programmatic changes.

- *Small Dollar Loans:* The bank maintains flexible underwriting guidelines within the personal unsecured term lending program. While the bank does not advertise the program, consumers seeking short-term affordable financing may speak with branch personnel about the options available. Current rates and terms fully meet the definition of a small dollar loan program (FIL-50-2007).

INVESTMENT TEST

ACNB's Investment Test rating is "Low Satisfactory." The bank's adequate performance under the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria supports this conclusion. The bank's performance in PA contributed the most weight when arriving at conclusions for the Investment Test. ACNB's overall Investment Test performance is consistent with its performance in the PA and MD rated areas.

This section presents the bank's overall performance in the Investment Test. Separate presentations for the individual assessment areas are included in later sections.

Investment and Grant Activity

ACNB has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. The bank made 184 qualified investments totaling $8.1 million. While the number of investments is slightly less than the previous evaluation, the bank provided nearly double the dollar volume, when the bank provided 196 qualified investments totaling $4.4 million.

Three of the qualified investments for economic development totaling $2.5 million and three qualified investments for affordable housing totaling $3.8 million benefitted the regional area that included both rated areas. Qualified investments equate to 0.3 percent of average total assets and 1.5 percent of average total securities since the prior evaluation.

ACNB's investments and donations supported community services, affordable housing initiatives, economic development efforts, and revitalization programs. The following table illustrates the bank's qualified investment activity by rated area and purpose.

Qualified Investments by Rated Area										
Rated Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Pennsylvania	28	1,186	72	77	13	10	7	10	120	1,282
Maryland	11	473	47	46	0	0	0	0	58	519
Regional Activities	3	3,807	0	0	3	2,500	0	0	6	6,307
Total	**42**	**5,466**	**119**	**123**	**16**	**2,510**	**7**	**10**	**184**	**8,108**
Source: Bank Data										

The following are examples of qualified investments that benefit the regional area:

- In November 2023, ACNB purchased a mortgage-backed security for $2.8 million. This provides affordable housing initiatives in low- and moderate-income areas for low- and moderate-income borrowers by collateralizing debts otherwise unsupported through conventional channels of lending. This specific investment supports each of the rated areas and all assessment areas within. As this is one investment, those values do not reflect in the subsequent tables. Therefore, for context, the amounts attributed to each assessment area are:
    - Harrisburg-York CSA - $1.2 million (5 borrowers)
    - Chambersburg MSA - $249,745 (1 borrower)
    - Washington CSA - $1.3 million (3 borrowers)

- Prior to the evaluation, ACNB invested $1.5 million with Solomon Hess Capital Management (SHCM). SHCM provides domestic banks with CRA eligible investments through the purchase of SBA 7(a), 504, and USDA small farm loans. The firm provides targeted community investment opportunities by acquiring guaranteed portions of SBA 7(a) loans where the underlying small business is either located in a low- or moderate-income census tract, or providing employment opportunities for low- and moderate-income individuals. These investments promote economic development in the broader regional area, including the bank's assessment areas.

- Prior to the evaluation, the bank made an investment in a CRA Qualified Investment Fund with a current book value of $1.0 million. Community Capital Management, who manages the fund, earmarked this investment in Fannie Mae mortgage pools originated to low- or moderate-income borrowers within the bank's assessment areas. This investment promotes affordable housing.

For additional details on qualified investments and donations, please refer to the individual assessment areas.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community economic development needs. ACNB continues to obtain equity investments and make an adequate volume of donations that primarily support community development services in the assessment areas. The qualified investments are assisting in addressing the needs identified by bank management.

Community Development Initiatives
The bank rarely uses innovative and/or complex investments to support community development initiatives. ACNB's investments primarily include CRA-qualified mortgage-backed securities (MBSs) and a publicly-traded mutual fund which are not considered innovative.

SERVICE TEST

ACNB's overall Service Test rating is "Low Satisfactory." The bank's performance in the PA rated area contributed the most weight when arriving at conclusions for each performance criteria in the Service Test. ACNB's overall Service Test performance is consistent with its performance in the PA and MD rated areas.

Accessibility of Delivery Systems
The bank's delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas. ACNB serves the overall assessment area with 26 branches, including 17 in the PA rated area and 9 in the MD rated area. All branch locations also have an ATM, as does the operations center; ACNB maintains two proprietary cash-only dispensing ATMs within Cumberland County PA and is a partner to the Sheetz Inc. network of ATMs.

Alternative banking services such as telephone banking, online banking, mobile banking and applications, and digital payments are available to increase accessibility of retail banking services. For additional information on the distribution of branches and ATMs, refer to the individual assessment areas under the Service Test.

Changes in Branch Locations
To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

Since the previous evaluation, ACNB merged two branches into a relocated branch and closed one additional branch within Adams County, comprising all the changes to branching operations within the PA rated area. Within the MD rated area, ACNB closed one branch each within Carroll County and Frederick County. The Frederick County branch closure was within a low-income census tract, while all remaining closures elsewhere occurred within middle-income census tracts.

Reasonableness of Business Hours and Services
Services and business hours do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and low- and moderate-income individuals. Days and hours of operation are consistent with those of other banks operating within the assessment areas. Notably, 10 of 26 ACNB branches offer extended hours on Friday evenings and 19 offer Saturday hours.

Community Development Services
The bank provided an adequate level of community development services throughout the assessment areas. During the evaluation period, the bank provided 97 instances of financial

expertise, technical assistance, and financial education to community development-related organizations and low- and moderate-income individuals. This is an increase from the previous evaluation, when the bank provided 87 instances of qualified service activity. The organizations' missions include affordable housing, community services, and economic development.

The following table illustrates the bank's community development services by rated area and community development purpose. Additional details of community development services are contained within the sections for the individual assessment areas.

Community Development Services by Rated Area					
Rated Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
Pennsylvania	28	17	19	0	**64**
Maryland	11	13	9	0	**33**
Total	**39**	**30**	**28**	**0**	**97**
Source: Bank Data					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

PENNSYLVANIA

CRA RATING FOR PENNSYLVANIA: SATISFACTORY

The Lending Test is rated: High Satisfactory The
Investment Test is rated: Low Satisfactory The
Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PENNSYLVANIA.

ACNB designates two assessment areas within the PA rated area. One assessment area includes all of Adams, Cumberland, and York Counties in the Harrisburg-York-Lebanon, PA CSA #276. The other assessment area includes all of Franklin County in the Chambersburg-Waynesboro, PA MSA #16540. The bank's operations in the PA rated area represent 77.3 percent of total lending (by number), 70.0 percent of total deposits, and 66.7 percent of total branches. Refer to the separate Harrisburg-York CSA and Chambersburg MSA sections of this evaluation for detailed descriptions of each assessment area.

SCOPE OF EVALUATION – PENNSYLVANIA

This portion of the evaluation only considers activity within the Harrisburg-York CSA and Chambersburg MSA assessment areas. Please refer to the overall Scope of Evaluation section for information on products and timeframe reviewed. Of the two assessment areas, the bank's performance in the Harrisburg-York CSA assessment area carried the most weight in determining the state rating and conclusions, as this assessment area accounts for the largest portion of lending, deposits, and branches in the state. Examiners used full-scope procedures to assess performance in both the Harrisburg-York CSA and Chambersburg MSA assessment areas.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PENNSYLVANIA

LENDING TEST

ACNB's Lending Test rating is "High Satisfactory" in the PA rated area. ACNB's performance in the Harrisburg-York CSA assessment area carried the most weight in supporting this rating. Refer to the individual assessment area sections for detailed discussions of the bank's Lending Test performance.

Lending Activity
ACNB's lending levels reflect good responsiveness to credit needs within the PA assessment areas. During the review period, the bank originated 1,349 home mortgage loans totaling $187.8 million, 237 small business loans totaling $47.2 million, and 55 small farm loans totaling $10.0 million in the PA assessment areas. The bank's lending activity in the Harrisburg-York CSA assessment area contributed the greatest weight to this conclusion.

Refer to the Lending Activity comments in the Lending Test sections for each of ACNB's PA assessment areas for further details.

Geographic Distribution

The geographic distribution of loans reflects good penetration within the PA rated area. ACNB's good performance of home mortgage and small business loans in the Harrisburg-York CSA assessment area supports this conclusion, as this area received the most weight in the overall analysis. The bank's good performance of home mortgage loans in the Chambersburg MSA assessment area additionally supports the conclusion.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size within the PA rated area. The bank's good performance of home mortgage and small business loans in the Harrisburg-York CSA assessment area primarily supports this conclusion, as this area received the most weight in the overall analysis.

Community Development Loans

The bank has made an adequate level of community development loans in the PA rated area. Community development lending in the Harrisburg-York CSA assessment area contributed most to this conclusion. During the evaluation period, the bank originated 24 loans totaling $7.6 million that benefitted the rated area. Based upon the good performance within the assessment area, examiners include activities supporting the broader PA rated area, which were an additional 6 loans totaling $3.4 million. The bank's community development lending performance is comparable by the volume of qualified loans; however, is a decrease in the dollar volume since the prior evaluation. At the prior evaluation, the bank made 26 community development loans totaling $18.2 million, inclusive of those statewide activities.

ACNB's community development lending performance in the Harrisburg-York CSA assessment area is consistent with its performance in the Chambersburg MSA assessment area. The following table illustrates the bank's community development lending activity by assessment area and purpose.

Pennsylvania Community Development Lending by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Harrisburg-York CSA	13	2,959	0	0	0	0	0	0	**13**	**2,959**
Chambersburg MSA	5	1,241	0	0	0	0	0	0	**5**	**1,241**
Statewide Activities	6	3,416	0	0	0	0	0	0	**6**	**3,416**
Total	**24**	**7,616**	**0**	**0**	**0**	**0**	**0**	**0**	**24**	**7,616**
Source: Bank Data										

The following are examples of the bank's PA statewide community development loans during the evaluation period:

- In 2023, the bank provided a $985,000 loan for the purchase of a 6-unit apartment building in a low-income census tract in Lebanon County, PA. All 6 units provide affordable rents,

as designated by the U.S. Department of Housing and Urban Development's (HUD's) fair market rent guidelines. This loan supports affordable housing for low- and moderate- income families in the Lebanon County area.

- In 2023, the bank provided a $516,000 loan to purchase a 5-unit apartment building in a moderate-income census tract in Myerstown, PA. All 5 units provide affordable rents, as designated by HUD's fair market rent guidelines. This loan supports affordable housing for low- and moderate-income families in the Lebanon County area.

INVESTMENT TEST

ACNB's Investment Test rating is "Low Satisfactory" in the PA rated area. The bank's adequate performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria supports this conclusion. ACNB's performance in the Harrisburg-York CSA assessment area carried the most weight in supporting this rating.

Investment and Grant Activity

ACNB has an adequate level of qualified community development investments and grants in the PA rated area. During the evaluation period, the bank made 120 qualified investments totaling nearly $1.3 million benefitting the PA rated area. This includes 1 prior period investments for $909,000 and 119 donations totaling $373,474. The following table illustrates the bank's qualified investment activity by PA assessment area and purpose.

Pennsylvania Qualified Investments by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Harrisburg-York CSA	24	1,163	64	73	9	8	3	8	**100**	**1,252**
Chambersburg MSA	4	23	8	4	4	2	4	2	**20**	**31**
Total	**28**	**1,186**	**72**	**77**	**13**	**10**	**7**	**10**	**120**	**1,283**
Source: Bank Data										

For details on qualified investments and donations, please refer to the individual assessment areas.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community economic development needs in PA. The bank's qualified investments supported affordable housing, community services, and economic development, which are demonstrated community development needs in the area.

Community Development Initiatives

The bank rarely uses innovative and/or complex investments to support community development initiatives. ACNB's investments primarily include CRA qualified MBS's and a publicly traded mutual fund which are not considered innovative.

SERVICE TEST

The Service Test performance in the PA rated area is "Low Satisfactory." The Service Test performance is consistent throughout the PA assessment areas. Most weight was given to the bank's performance in the Harrisburg-York CSA, as this area contains the largest branch network and delivery system.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas. ACNB serves the PA rated area with 17 branches, one drive-up branch, two standalone ATMs, and a readily accessible ATM network via Sheetz Inc. convenience store locations. The bank operates one full-service branch and one ATM in moderate-income census tracts. Although the bank does not operate any branches in low-income tracts in this assessment area, several of its branches are in close proximity to low- and moderate-income tracts. Alternative banking services such as telephone banking, online banking, mobile banking and applications, and digital payments are available to increase accessibility of retail banking services.

Additional details of the bank's branching and ATM distribution and alternative delivery systems are contained within the sections for the individual assessment areas.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low-and moderate-income geographies and/or to low- and moderate-income individuals.

Since the previous CRA evaluation, ACNB merged two branches in the PA rated area, both located in middle-income census tracts, into the relocated Upper Adams branch location in Biglerville, PA, also in a middle-income census tract. Branch closures consisted of one limited-service branch in the Harrisburg-York CSA. Additional details of changes in branch locations are contained within the sections for the individual assessment areas.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. Branch hours are generally consistent throughout the assessment areas, with most branches offering extended hours on Friday evening and Saturday.

Community Development Services

The bank provided an adequate level of community development services in the PA rated area and broader statewide area during the evaluation period. The bank provided 64 instances of financial expertise, technical assistance, and financial education to community development-related organizations and low- and moderate-income individuals. ACNB provided the most community development services in the Harrisburg-York CSA assessment area.

The following table illustrates the bank's community development service instances by PA rated area and community development purpose. Additional details of the bank's community

development services are contained within the sections for the individual assessment areas.

Pennsylvania Community Development Services by Assessment Area					
Assessment Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
Harrisburg-York CSA	22	17	6	0	**45**
Chambersburg MSA	3	0	10	0	**13**
Statewide Activities	3	0	3	0	**6**
Total	**28**	**17**	**19**	**0**	**64**
Source: Bank Data					

The following are examples of the bank's PA statewide community development services during the evaluation period:

- One ACNB Board member serves on the Board of Directors for a local economic development organization, promoting trade and exports of locally manufactured goods and services within Central PA. The network provides international contacts and resources to area businesses seeking to expand into global markets.
- One ACNB Senior Manager serves as the Chairperson of the Board of Directors for a Lancaster County based affordable housing organization. The organization is responsible for managing the Lancaster City Housing Authority portfolio of 95 single family residences, in partnership with HUD.

HARRISBURG-YORK CSA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HARRISBURG-YORK CSA

This assessment area includes all of Adams, Cumberland, and York Counties in the Harrisburg- York-Lebanon, PA CSA #276. The bank operates 16 branch offices within this assessment area: 10 are in Adams County, 1 is in Cumberland County, and 5 are in York County. ACNB also has a commercial LPO in York County. The bank's operations in the Harrisburg-York CSA assessment area represent 63.4 percent of total in-assessment area lending (by number), 68.6 percent of total deposits, and 62.0 percent of total branches.

In 2023, ACNB expanded this assessment area to include all 55 census tracts in Cumberland County, PA. Those additional Cumberland County census tracts included 2 low-income census tracts, 1 moderate-income census tract, 23 middle-income census tracts, and 12 upper-income census tracts. During the 2020 U.S. Census, Adams County added 4 additional census tracts, creating 5 moderate-income census tracts and 1 upper-income census tract, while eliminating 2 middle-income census tracts. York County also experienced significant changes from Census data, adding 18 new census tract areas, adding 4 moderate-income census tracts, 12 middle-income census tracts, and 4 upper-income census tracts, while eliminating 2 low-income census tracts.

While the information provided in the Geographic Distribution and Borrower Profile tables reflects the expanded assessment area, the analysis takes into account the bank's performance within the assessment area prior to its expansion when indicated.

Economic and Demographic Data

There are 190 census tracts within the Harrisburg-York CSA assessment area. The tracts reflect the following income designations according to 2020 US Census data:

- 14 low-income census tracts,
- 21 moderate-income census tracts,
- 114 middle-income census tracts,
- 39 upper-income census tracts, and
- 2 census tracts without an income designation.

The following table shows the demographic information for the assessment area.

Demographic Information of the Assessment Area Assessment Area: Harrisburg-York CSA						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	190	7.4	11.1	60.0	20.5	1.1
Population by Geography	819,759	4.6	9.7	62.4	22.6	0.7
Housing Units by Geography	334,445	4.5	10.1	64.3	21.0	0.0
Owner-Occupied Units by Geography	231,907	1.8	8.5	65.1	24.7	0.0
Occupied Rental Units by Geography	83,322	11.0	14.1	62.6	12.2	0.0
Vacant Units by Geography	19,216	8.8	12.9	63.0	15.3	0.0
Businesses by Geography	82,701	5.0	8.9	62.5	23.5	0.0
Farms by Geography	3,514	1.0	8.5	71.7	18.8	0.0
Family Distribution by Income Level	211,847	17.6	18.6	24.0	39.7	0.0
Household Distribution by Income Level	315,229	21.6	16.7	19.6	42.1	0.0
Median Family Income MSA - 23900 Gettysburg, PA MSA		$84,709	Median Housing Value			$192,923
Median Family Income MSA - 25420 Harrisburg-Carlisle, PA MSA		$84,347	Median Gross Rent			$985
Median Family Income MSA - 49620 York-Hanover, PA MSA		$82,154	Families Below Poverty Level			5.3%

Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

There are 334,445 total housing units in the assessment area. Of these, 69.3 percent are owner-occupied, 24.9 percent are occupied rental units, and 5.7 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As shown above, 1.8 percent and 8.5 percent of the total owner-occupied housing units are in low- and moderate-income census tracts, respectively. This data reflects a moderately low level of opportunities lenders have to originate home mortgage loans within these geographies.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the income categories for the individual MSAs in the assessment area for 2022 and 2023.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Gettysburg, PA MSA Median Family Income (23900)				
2022 ($90,300)	<$45,150	$45,150 to <$72,240	$72,240 to <$108,360	≥$108,360
2023 ($100,500)	<$50,250	$50,250 to <$80,400	$80,400 to <$120,600	≥$120,600
Harrisburg-Carlisle, PA MSA Median Family Income (25420)				
2022 ($94,300)	<$47,150	$47,150 to <$75,440	$75,440 to <$113,160	≥$113,160
2023 ($102,700)	<$51,350	$51,350 to <$82,160	$82,160 to <$123,240	≥$123,240
York-Hanover, PA MSA Median Family Income (49620)				
2022 ($93,300)	<$46,650	$46,650 to <$74,640	$74,640 to <$111,960	≥$111,960
2023 ($97,600)	<$48,800	$48,800 to <$78,080	$78,080 to <$117,120	≥$117,120
Source: FFIEC				

The Geographic Distribution criterion for small business and small farm lending compares these loans to the distribution of businesses and farms within the assessment area, respectively. The Borrower Profile criterion considers the GARs of these businesses and farms. According to 2023 D&B data, there were 82,701 businesses and 3,514 farms within the assessment area. The GARs of the businesses are as follows:

- 89.3 percent have GARs of $1.0 million or less,
- 3.2 percent have GARs of more than $1.0 million, and
- 7.5 percent have unreported GARs.

The GARs of the farms are as follows:

- 97.7 percent have GARs of $1.0 million or less,
- 1.1 percent have GARs of more than $1.0 million, and
- 1.2 percent have unreported GARs.

Service industries represent the largest percent of businesses at 37.9 percent, followed by non-classifiable establishments (17.7 percent); retail trade (11.5 percent); finance, insurance, and real estate (10.2 percent); and construction (7.3 percent). Within the assessment area, 67.4 percent of businesses have four or less employees, and 92.3 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to Moody's Analytics, as of the first quarter 2024, the top employers within each MSA of the Harrisburg-York CSA, in no order other than being first in each MSA, include UPMC Hanover, Liberty Mountain Resort, and Rutter's Holdings Inc. These employers indicate a concentration of service industries.

The following table details the unemployment data from the U.S. Bureau of Labor Statistics for counties within the assessment area and state. As observed, unemployment rates within the

assessment area generally remained below the rated area and the national average. All unemployment rates appear to be rising.

Unemployment Rates			
Area	**2022**	**2023**	**August 2024**
Adams County	3.1	2.6	3.5
Cumberland County	3.2	2.7	3.5
York County	3.5	3.0	4.0
Pennsylvania	4.1	3.4	4.2
Nationwide	3.6	3.6	4.1
Source: US Bureau of Labor Statistics			

Competition

The assessment area is a highly competitive market for financial and credit services. According to the FDIC Summary of Deposits as of June 30, 2024, 25 FDIC-insured institutions operated 182 branch offices within Adams, Cumberland, and York Counties. Of these institutions, ACNB ranked 5th with a 5.6 percent market share by total deposits and 3rd with an 8.8 percent market share by total branches.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2023, 473 lenders originated or purchased 20,838 home mortgage loans. Of these lenders, ACNB ranked 7th by number of originations or purchases capturing 2.6 percent of total market share. The three most prominent mortgage lenders in the assessment area, Members 1st Federal Credit Union, Traditions Bank, and Rocket Mortgage, LLC, account for 20.2 percent of the market share.

There is a high level of competition for small business loans among banks in the assessment area. In 2022, 118 reporting lenders originated or purchased 14,871 small business loans. Of these lenders, ACNB ranked 18th by number of originations or purchases capturing 0.9 percent of total market share. The three most prominent lenders in the assessment area, American Express National Bank, JP Morgan Chase Bank, N.A., and US Bank, N.A., account for 41.9 percent of the market share.

There is a moderate level of competition for small farm loans among banks in the assessment area. In 2022, 24 reporting lenders originated or purchased 432 small farm loans. Of these lenders, ACNB ranked 10th by number of originations or purchases capturing 4.6 percent of total market share. The three most prominent agriculture lenders in the assessment area, US Bank, N.A., JP Morgan Chase Bank, N.A., and Univest Bank and Trust Co., account for 39.9 percent of the market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to gain insight on local economic conditions, credit needs, area challenges, and opportunities. This information can also help determine if banks in the area are responsive to the needs of the community. It also shows what credit and community development opportunities are available.

Examiners contacted an affordable housing organization within the Harrisburg-York CSA, which serves portions of Adams County. The contact cited a strong need for affordable housing

throughout the area, particularly one- and two-bedroom units. The contact identified municipalities that favored certain development projects proposed over others, like detached single-family homes, while other municipalities outright rejected proposals not conforming to established requisites, like mid- to high-density affordable housing. This contact sees these factors as barriers to making Adams County a place to reside and work, where much of the low- and moderate-income individuals and families stagnate in continued low-paying service and retail positions or make significant commutes beyond the county for higher incomes in manufacturing or construction.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic data, examiners determined that affordable housing loans and small business loans represent the assessment area's greatest credit needs. Economic and demographic data supports the housing affordability issue that the community contact identified, as 36.2 percent of family earnings are low- and/or moderate-income, while 85.3 percent of housing is within middle- and upper-income areas.

In addition, small business loans are in high demand, as supported by the significant percentage of businesses with GARs of $1.0 million or less. Lending across diversified industries may provide greater employment opportunities for those low- and moderate-income residences.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HARRISBURG-YORK CSA

LENDING TEST

ACNB's performance in the Harrisburg-York CSA assessment area is consistent with its overall Lending Test performance. The bank's performance in Lending Activity, Geographic Distribution, and Borrower Profile criteria support this conclusion.

Lending Activity

Lending levels reflect good responsiveness to the Harrisburg-York CSA assessment area credit needs considering the institution's size, loan portfolio composition, and competition level.

Home Mortgage Loans

ACNB originated 668 home mortgage loans totaling $76.4 million in 2022, and 533 loans totaling $83.6 million in 2023 in the assessment area. In 2023, ACNB ranked 7th of 473 mortgage lenders operating within the assessment area with a 2.6 percent market share by number. ACNB was one of the highest ranked community banks in the assessment area. Top ranked lenders included large national banks, mortgage corporations, and credit unions.

Small Business Loans

ACNB originated 109 small business loans totaling $20.2 million in 2022, and 102 loans totaling $21.4 million in 2023 in the assessment area. In 2022, ACNB ranked 18th out of 118 small business loan reporters operating within the assessment area with a 0.9 percent market share by number. Top ranked lenders included large national banks and business credit card lenders.

Small Farm Loans
ACNB originated 20 small farm loans totaling $3.5 million in 2022, and 32 loans totaling $6.0 million in 2023 in the assessment area. In 2020, ACNB ranked 10th out of 24 small farm lending reporters operating within the assessment area with a 4.6 percent market share by number. Top ranked lenders included other large community banks and national banks.

Geographic Distribution
The geographic distribution of loans reflects good penetration throughout the assessment area. ACNB's good performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income census tracts lagged demographic and aggregate data for both 2022 and 2023. The opportunity to lend in low-income census tracts is limited, as only 1.8 percent of owner-occupied housing units are in these areas.

The bank's performance in moderate-income census tracts exceeded both the demographic and aggregate performance data in 2022 and 2023, despite experiencing a decline in activities in 2023. The level of lending to moderate-income areas supports the good performance, overall.

Geographic Distribution of Home Mortgage Loans Assessment Area: Harrisburg-York CSA						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	1.8	2.8	3	0.4	524	0.7
2023	1.8	3.1	5	0.9	1,601	1.9
Moderate						
2022	8.5	8.5	122	18.3	13,971	18.3
2023	8.5	8.9	75	14.1	7,429	8.9
Middle						
2022	65.1	63.5	468	70.1	53,012	69.4
2023	65.1	63.3	399	74.9	65,466	78.3
Upper						
2022	24.7	25.3	75	11.2	8,889	11.6
2023	24.7	24.7	54	10.1	9,076	10.9
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**668**	**100.0**	**76,396**	**100.0**
2023	**100.0**	**100.0**	**533**	**100.0**	**83,571**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. As shown in the following table, the bank did not make any loans to businesses in low-income census tracts for 2022, while subsequently making three loans in 2023. Examiners consider the benchmark aggregate performance in 2022 and the representatively low percentage of businesses in these areas as indicative of the limited conditions to making small business loans in these areas.

The bank exceeded both the demographics and peer aggregate performance by 4.9 and 4.7 percentage points, respectively, in moderate-income census tracts for 2022, and continued to exceed those benchmarks in 2023.

Peer performance indicates that small business lending in moderate-income areas is more favorable, despite a similarly low demographic representation as compared to the low-income areas.
Examiners consider the banks' ability to make small business loans to low-income census tracts in 2023 an improvement in conditions, and the ability to exceed benchmarks for moderate-income census tracts as an overall level of good lending performance.

Geographic Distribution of Small Business Loans Assessment Area: Harrisburg-York CSA						
Tract Income Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	5.0	3.2	0	0.0	0	0.0
2023	5.0	--	3	2.9	671	3.1
Moderate						
2022	8.9	9.1	15	13.8	3,152	15.6
2023	8.9	--	11	10.8	3,144	14.7
Middle						
2022	62.6	63.6	83	76.1	15,576	77.0
2023	62.5	--	70	68.6	13,512	63.2
Upper						
2022	23.4	24.0	11	10.1	1,506	7.4
2023	23.5	--	18	17.6	4,057	19.0
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**109**	**100.0**	**20,234**	**100.0**
2023	**100.0**	**--**	**102**	**100.0**	**21,384**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Farm Loans

The geographic distribution of small farm loans reflects adequate penetration throughout the assessment area. While ACNB did not originate any loans in the low-income census tracts during the review period, the 2022 aggregate data reflected no activity in these tracts. Furthermore, only 1.0 percent of the assessment area farms are located in the low-income census tracts.

The bank exceeded the demographic and peer aggregate performance by 1.3 and 2.6 percentage points, respectively, in moderate-income census tracts for 2022. The bank's level of lending remained the same in these areas in 2023, however showed a proportional decline due to a near two- fold increase in lending to those middle-income census tract areas.

Considering the exceedingly low likelihood of making small farm loans in low-income census tracts, and the banks consistent ability to make small farm loans in moderate-income census tracts, examiners determine the overall performance is adequate.

Geographic Distribution of Small Farm Loans Assessment Area: Harrisburg-York CSA						
Tract Income Level	**% of Farms**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	1.0	0.0	0	0.0	0	0.0
2023	1.0	--	0	0.0	0	0.0
Moderate						
2022	8.7	7.4	2	10.0	270	7.8
2023	8.5	--	2	6.3	435	7.2
Middle						
2022	71.7	83.2	16	80.0	2,654	76.8
2023	71.7	--	27	84.4	4,949	82.2
Upper						
2022	18.6	9.4	2	10.0	531	15.4
2023	18.8	--	3	9.4	640	10.6
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**20**	**100.0**	**3,455**	**100.0**
2023	**100.0**	**--**	**32**	**100.0**	**6,024**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size. The bank's good performance in home mortgage and small business lending primarily supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business and farm loans to businesses and farms with GARs of $1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is good.

As shown in the following table, while the penetration of home mortgage loans to low-income borrowers in 2022 and 2023 trailed demographic data, the bank's performance exceeded the peer aggregate benchmark for each year by 1.3 and 2.7 percentage points, respectively, despite the peer performance indicating a state of decline in lending to these borrowers.

The bank's percentage of home mortgage loans to moderate-income borrowers in 2022 slightly exceeded the demographic benchmark, while trailing the peer aggregate performance by 2.7 percentage points. By 2023, the bank's performance exceeded both the demographic and aggregate benchmarks, by 5.2 and 2.1 percentage points, respectively, while maintaining the same level of lending to those moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Harrisburg-York CSA						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	17.6	9.3	71	10.6	4,663	6.1
2023	17.6	8.9	62	11.6	4,386	5.2
Moderate						
2022	18.6	21.7	127	19.0	11,773	15.4
2023	18.6	21.7	127	23.8	10,964	13.1
Middle						
2022	24.0	23.8	172	25.7	16,966	22.2
2023	24.0	24.0	122	22.9	15,022	18.0
Upper						
2022	39.7	31.3	214	32.0	28,810	37.7
2023	39.7	31.7	153	28.7	25,128	30.1
Not Available						
2022	0.0	13.9	84	12.6	14,184	18.6
2023	0.0	13.7	69	12.9	28,071	33.6
Totals						
2022	**100.0**	**100.0**	**668**	**100.0**	**76,396**	**100.0**
2023	**100.0**	**100.0**	**533**	**100.0**	**83,571**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The distribution of small business loans reflects good penetration to businesses with GARs of $1.0 million or less.

As shown in the following table, while the bank's penetration of loans to businesses with GARs of $1.0 million or less in 2022 and 2023 remained significantly below demographic data, the banks performance is comparatively similar to the peer aggregate performance benchmark for 2022. The bank maintained this performance through the evaluation period.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Harrisburg-York CSA						
Gross Revenue Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2022	89.0	53.6	60	55.0	8,940	44.2
2023	89.3	--	58	56.9	11,520	53.9
>$1,000,000						
2022	3.3	--	30	27.5	5,222	25.8
2023	3.1	--	28	27.5	5,603	26.2
Revenue Not Available						
2022	7.7	--	19	17.4	6,072	30.0
2023	7.5	--	16	15.7	4,261	19.9
Totals						
2022	**100.0**	**100.0**	**109**	**100.0**	**20,234**	**100.0**
2023	**100.0**	**--**	**102**	**100.0**	**21,384**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Farm Loans

The distribution of small farm loans reflects excellent penetration of loans to farms with GARs of $1.0 million or less. As shown in the following table, while the bank's penetration of loans to farms with GARs of $1.0 million or less in 2022 and 2023 trailed demographic data, ACNB greatly exceeded the 2022 aggregate data. A significant majority of the bank's loans were to farms with GARs of $1.0 million or less.

Distribution of Small Farm Loans by Gross Annual Revenue Category Assessment Area: Harrisburg-York CSA						
Gross Revenue Level	**% of Farms**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2022	97.6	63.4	17	85.0	2,950	85.4
2023	97.7	--	30	93.8	5,434	90.2
>$1,000,000						
2022	1.2	--	1	5.0	105	3.0
2023	1.1	--	2	6.3	590	9.8
Revenue Not Available						
2022	1.2	--	2	10.0	400	11.6
2023	1.2	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**20**	**100.0**	**3,455**	**100.0**
2023	**100.0**	**--**	**32**	**100.0**	**6,024**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Community Development Loans

ACNB made an adequate level of community development loans in the Harrisburg-York CSA assessment area. The bank made 13 community development loans totaling $3.0 million that specifically benefitted the assessment area. ACNB's performance represents a decrease from the previous evaluation, when the bank originated 22 loans for $6.5 million in this assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Assessment Area: Harrisburg-York CSA										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
3/24/22 to 12/31/22	0	0	0	0	0	0	0	0	**0**	**0**
2023	8	1,607	0	0	0	0	0	0	**8**	**1,607**
YTD 2024	5	1,351	0	0	0	0	0	0	**5**	**1,351**
Total	**13**	**2,959**	**0**	**0**	**0**	**0**	**0**	**0**	**13**	**2,959**
Source: Bank Data;										

The following is a sample of community development loans that benefit the assessment area:

- In 2023, the bank originated a $181,000 loan to refinance a 5-unit affordable housing project in a moderate-income census tract in Adams County. The loan supports affordable housing in the assessment area because all five units are at or below fair market rents.

- In 2024, the bank originated a $386,000 loan for the purchase of two properties with 4- and 6-units, each, that provides affordable housing within York County. The one property is within a moderate-income census tract and maintains those units for low- and moderate-income families, while the other property is within a middle-income census tract expecting to undergo renovation to increase the quality of affordable housing units in the area. All units are at or below fair market rents.

INVESTMENT TEST

ACNB's Investment Test performance in the Harrisburg-York CSA assessment area is consistent with its overall performance. The bank's performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria support this conclusion.

Investment and Grant Activity

ACNB has an adequate level of qualified community development investments and donations in the Harrisburg-York CSA assessment area. As presented, the bank made no new qualified investments specific to the Harrisburg-York CSA. However, as mentioned, the bank did make an investment into a mortgage-backed security supporting 5 borrowers for $1.3 million within this assessment area during 2023. The bank also maintained one prior period investment with a current book value of $909,000 and 99 grants & donations totaling approximately $343,000. Excluding the mortgage-backed security investment, this represents a moderate decrease from the previous CRA evaluation where investments and grants totaled $1.3 million. The following table illustrates the bank's qualified investment activity by investment type and purpose.

Qualified Investments **Assessment Area: Harrisburg-York CSA**										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	1	909	0	0	0	0	0	0	**1**	**909**
3/24/22 to 12/31/22	0	0	0	0	0	0	0	0	**0**	**0**
2023	0	0	0	0	0	0	0	0	**0**	**0**
YTD 2024	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**1**	**909**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**909**
Qualified Grants & Donations	23	254	64	73	9	8	3	8	**99**	**343**
Total	**24**	**1,163**	**64**	**73**	**9**	**8**	**3**	**8**	**100**	**1,252**
Source: Bank Data										

The following is a sample of qualified investments that benefit the assessment area:

- In August 2012, the bank purchased low-income housing tax credits (LIHTC) that have a current book value of $909,000. The eligible tax credit project is a 26-unit apartment building for senior citizens and disabled residents. Tenants pay 30 percent of their income towards rent while the USDA Rural Development provides a subsidy. This prior period

investment supports affordable housing.

- Since 2022, and through the review period, the bank pledged and disbursed approximately $253,000 towards the Federal Home Loan Bank of Pittsburgh's Home4Good Initiative, directly benefiting the Harrisburg-York CSA. Home4Good helps those who are homeless or at risk of homelessness by channeling dollars to local service organizations, such as the Friends & Neighbors of Pennsylvania Inc. and Carlisle "Community" CARES.
- Through the evaluation period, the bank provided $18,466 in donations to the Adams, York, and Cumberland County chapters of a nationwide non-profit affordable housing organization, Habitat for Humanity. The organization directed the bank's donations specifically towards programs serving low- and moderate-income individuals or families residing throughout the Harrisburg-York CSA. These donations directly support affordable housing in the assessment area.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community economic development needs in the assessment area. ACNB continues to make an adequate volume of donations that support demonstrated needs in the area, including community development services, affordable housing, and economic development activities.

Community Development Initiatives

The bank rarely uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

ACNB's Service Test performance in the Harrisburg-York CSA assessment area is consistent with its overall performance. The Community Development Services performance supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. ACNB serves the Harrisburg-York CSA assessment area with 16 full-service brick & mortar branches, one limited-service drive through location, and 2 standalone ATMs. The bank operates one full-service branch and one ATM in moderate-income census tracts. Alternative banking services such as telephone banking, online banking, mobile banking and applications, and digital payments are available to increase accessibility of retail banking services.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low-and moderate-income geographies and/or to low- and moderate-income individuals. ACNB closed one drive-up branch in a middle-income census tract, merged two locations to relocate one full-service branch (all within middle-income census areas), and did not open any new branches in this assessment area during the review period. The branch closure did not adversely affect the accessibility of delivery systems.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. Branch hours are generally consistent at each location with weekday hours from 9:00 A.M. to 4:00 P.M. and extended hours on Thursday and Friday. The majority of full-service branches offer Saturday hours.

Community Development Services

The bank provided an adequate level of community development services in the Harrisburg-York CSA assessment area during the evaluation period. The bank provided 45 instances of financial expertise, technical assistance, and financial education to 15 different community development- related organizations in this assessment area. The bank's performance is comparable to the previous evaluation, where community development service instances totaled 56 for the same number of organizations served. The following table illustrates the bank's community development service instances by year and community development purpose.

Community Development Services Assessment Area: Harrisburg-York CSA					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
3/24/22 to 12/31/22	7	5	2	0	**14**
2023	7	6	2	0	**15**
YTD 2024	8	6	2	0	**16**
Total	**22**	**17**	**6**	**0**	**45**
Source: Bank Data					

The following are examples of community development services that benefited the assessment area:

- Since 2018, a Vice President continues serving as a Board Member of an organization primarily dedicated to affordable housing initiatives, while also promoting peripheral community services that directly enhance low- and moderate-income individuals' and families' quality of life within the Adams County area. The organization co-directed the construction of 38 new housing units, expanding broadband internet connectivity, and lobbied for increased public transportation coverage.

- A Senior Vice President serves as a Board Member of an organization focused on business attraction, workforce development, and industry expansion within Adams County. This service promotes economic development.

- Two Associate Vice Presidents serve on the Board of a national non-profit dedicated to providing emergency and essential community services for low- and moderate-income residents in Adams County. This service provides community service activities.

CHAMBERSBURG MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CHAMBERSBURG MSA

This assessment area includes all of Franklin County in the Chambersburg-Waynesboro, PA MSA #16540 (Chambersburg MSA). The bank previously only took a portion of Franklin County. The bank now taking the entire county has increased the number of census tracts from 13 to 33. The bank operates one branch office within this assessment area. The bank's operations in the Chambersburg MSA assessment area represent 13.9 percent of total in-assessment area lending (by number), 1.3 percent of total deposits, and 3.7 percent of total branches.

Economic and Demographic Data

There are 33 census tracts within the Chambersburg MSA assessment area. The tracts reflect the following income designations according to 2015 ACS data:

- 4 moderate-income census tracts,
- 27 middle-income census tracts, and
- 2 upper-income census tracts.

Examiners note the census tract income distribution during the previous evaluation period had at least one low-income census tract area. As economic conditions changed, and the banks delineated assessment area changed, the assessment area now has more moderate-income census tract representation. This is a consideration for the geographic distribution of loans within the Lending Test.

The following table shows the demographic information for the assessment area.

Demographic Information of the Assessment Area Assessment Area: Chambersburg MSA						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	33	0.0	12.1	81.8	6.1	0.0
Population by Geography	155,932	0.0	11.3	81.4	7.4	0.0
Housing Units by Geography	65,808	0.0	11.7	81.7	6.6	0.0
Owner-Occupied Units by Geography	43,688	0.0	7.2	84.9	7.9	0.0
Occupied Rental Units by Geography	17,929	0.0	23.9	72.0	4.1	0.0
Vacant Units by Geography	4,191	0.0	7.3	90.0	2.6	0.0
Businesses by Geography	13,680	0.0	12.7	78.6	8.8	0.0
Farms by Geography	923	0.0	3.4	90.9	5.7	0.0
Family Distribution by Income Level	42,964	16.4	20.8	24.0	38.8	0.0
Household Distribution by Income Level	61,617	20.2	18.0	21.3	40.4	0.0
Median Family Income MSA - 16540 Chambersburg-Waynesboro, PA MSA		$75,297	Median Housing Value			$186,775
Families Below Poverty Level		5.7%	Median Gross Rent			$912

Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

There are 65,808 total housing units in the assessment area. Of these, 66.4 percent are owner-occupied, 27.2 percent are occupied rental units, and 6.4 percent are vacant. As shown above, 7.2 percent of the total owner-occupied housing units are located in moderate-income census tracts, the lowest of all three possible income geographies. This data reflects a relatively low level of opportunity to originate home mortgage loans within these income geographies.

The following table illustrates the FFIEC-updated median family income levels for the MSA for 2022 and 2023.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Chambersburg-Waynesboro, PA MSA Median Family Income (16540)				
2022 ($85,800)	<$42,900	$42,900 to <$68,640	$68,640 to <$102,960	≥$102,960
2023 ($92,100)	<$46,050	$46,050 to <$73,680	$73,680 to <$110,520	≥$110,520

Source: FFIEC

The Geographic Distribution criterion for small business and small farm lending compares these loans to the distribution of businesses and farms within the assessment area, respectively. The Borrower Profile criterion considers the GARs of these businesses and farms. According to 2023 D&B data, there were 13,680 businesses and 923 farms within the assessment area. The GARs of the businesses are as follows:

- 88.8 percent have GARs of $1.0 million or less,
- 3.1 percent have GARs of more than $1.0 million, and
- 8.1 percent have unreported GARs.

The GARs of the farms are as follows:

- 97.0 percent have GARs of $1.0 million or less,
- 1.9 percent have GARs of more than $1.0 million, and
- 1.1 percent have unreported GARs.

Service industries represent the largest percent of businesses at 36.1 percent, followed by non-classifiable establishments (16.3 percent); retail trade (12.1 percent); finance, insurance, and real estate (9.3 percent); and construction (7.7 percent). Within the assessment area, 68.4 percent of businesses have four or less employees, and 92.2 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to Moody's Analytics, as of first quarter 2024, the top employers within the Chambersburg MSA include WellSpan, Letterkenny Army Depot, and the Chambersburg Area School District. These employers indicate a concentration of service industries and manufacturing.

The following table details the unemployment data from the U.S. Bureau of Labor Statistics for counties within the assessment area and state. As observed, unemployment rates within the assessment area generally remained below the rated area, which is also less than the national average. All unemployment rates appear to be rising.

Unemployment Rates			
Area	**2022**	**2023**	**August 2024**
Franklin County	3.4	2.9	3.7
Pennsylvania	4.1	3.4	4.2
Nationwide	3.6	3.6	4.1
Source: US Bureau of Labor Statistics			

Competition

The assessment area is a moderately competitive market for financial and credit services. According to the FDIC Summary of Deposits as of June 30, 2024, nine FDIC-insured institutions operated 39 branch offices within Franklin County. Of these institutions, ACNB ranked 7th with a 0.9 percent market share by total deposits and tied for 6th with four other institutions having a single branch in the assessment area.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2023, 224 lenders originated or purchased 3,645 home mortgage loans. Of these lenders, ACNB ranked 15th by number of originations or purchases capturing 2.1 percent of total market share. The three most prominent mortgage lenders in the assessment area, Farmers and Merchants Trust Co., Patriot Federal Credit Union, and Orrstown Bank, accounted for 24.5 percent of the market share.

There is a high level of competition for small business loans among banks in the assessment area. In 2022, 65 reporting lenders originated or purchased 2,985 small business loans. Of these lenders, ACNB ranked 20th by number of originations or purchases capturing 0.6 percent of total market share. The three most prominent lenders in the assessment area, American Express National Bank, JP Morgan Chase Bank, N.A., and US Bank, N.A., account for 47.2 percent of the market share.

There is a low level of competition, yet high demand, for small farm loans among banks in the assessment area. In 2022, 20 reporting lenders originated or purchased 144 small farm loans. Of these lenders, ACNB tied for 14th with the institutions with one origination or purchase, capturing 0.7 percent of total market share. The three most prominent agriculture lenders in the assessment area, US Bank, N.A., JP Morgan Chase Bank, N.A., and Mid Penn Bank, account for 47.2 percent of the market share (68 loans).

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to gain insight on local economic conditions, credit needs, area challenges, and opportunities. This information can also help determine if banks in the area are responsive to the needs of the community. It also shows what credit and community development opportunities are available.

Examiners contacted a county level farm bureau within the Chambersburg MSA, which serves all of Franklin County. The contact cited difficulties in business understanding by larger regional and national lenders in treatment of small farm borrowing. Specifically, affordable and flexible short- term working capital lines of credit would help with immediate purchasing power to take advantage of market pricing of agricultural inputs to boost productivity. As these short-term borrowing mechanisms typically involve balloon payments, long-term structured refinancing options are necessary to smooth out the volatility of bringing agricultural goods to market.

The contact also cited lender knowledge lacking at institutions to understand the cyclical risk involved with general agricultural lending, presenting a barrier to credit due to unfamiliarity or an overrated assessment of risks involved in credit underwriting. These misunderstandings drive borrowers towards either larger lenders with guaranteed government assurance or those financial institutions with concentrations of credit in agribusiness, limiting overall innovation, flexibility, and affordability.

The contact sees opportunities via local community banks that can adapt to meeting the credit needs of local farmers and those in agribusiness. This includes equipment financing, short term affordable and flexible working capital lines of credit, and appropriate risk ratings for small farms and those new entrants to farming.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic data, examiners determined that affordable housing loans and small farm loans represent the assessment area's greatest credit needs. Economic and demographic data supports the housing affordability

issue that the community contact identified, as 37.2 percent of family earnings are low- and/or moderate-income, while 88.3 percent of housing is within middle- and upper-income areas.

In addition, small farm loans are in high demand, as supported by the significant percentage of farms with GARs of $1.0 million or less, and the limited presence of lenders reportedly making small farm loans in the area (20 each). Financial institutions capable of understanding the needs of small farms and agribusiness, in general, would achieve greater reciprocity from farmers and agribusiness within the assessment area, further expanding throughputs and outputs in the production of marketable goods from the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CHAMBERSBURG MSA

LENDING TEST

ACNB's performance in the Chambersburg MSA assessment area is below the overall Lending Test performance. The bank's performance in Borrower Profile criteria support this conclusion.

The following tables illustrate demographic and lending data for Geographic Distribution and Borrower Profile, upon which examiners based the Lending Test conclusion for this assessment area. As previously mentioned, examiners did not consider small farm loans made within this assessment area as the bank only originated one farm loan each in 2020 and 2021 in this area.

Lending Activity

Lending levels reflect good responsiveness to the Chambersburg MSA assessment area credit needs considering the institution's size, loan portfolio composition, and competition level.

Home Mortgage Loans

ACNB originated 72 home mortgage loans totaling $13.3 million in 2022, and 76 loans totaling $14.5 million in 2023 in the assessment area. In 2023, ACNB ranked 15th of 224 mortgage lenders operating within the assessment area with a 2.1 percent market share by number. ACNB was one of the highest ranked community banks in the assessment area. A majority of the top ranked lenders included large national banks, mortgage corporations, and credit unions.

Small Business Loans

ACNB originated 16 small business loans totaling $2.3 million in 2022, and 10 loans totaling $3.2 million in 2023 in the assessment area. In 2022, ACNB ranked 18th out of 118 small business loan reporters operating within the assessment area with a 0.9 percent market share by number. A majority of the top ranked lenders include large national banks and business credit card lenders.

Small Farm Loans

ACNB originated one small farm loan totaling $30,000 in 2022, and two loans totaling $538,000 in 2023 in the assessment area. In 2022, ACNB tied for 14th with the institutions with one origination or

purchase, capturing 0.7 percent of total market share. A majority of the top ranked lenders include other large community banks and national banks.

Geographic Distribution

The geographic distribution of loans reflects good penetration to those moderate-income census areas. ACNB's good performance of home mortgage lending supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration to those moderate- income census tracts. As shown in the following table, the bank's performance in moderate-income census tracts exceeded both the demographic and aggregate performance data in 2022, by 20.6 and 17.9 percentage points, respectively. Similarly, the bank exceeded both benchmarks in 2023, by 2.0 and 0.8 percent, respectively, despite experiencing a decline in lending to these areas. Peer performance demonstrated an overall decline in lending to these areas, whereas the banks performance remained above benchmark indicators, supporting a good rate of lending for home mortgage lending.

Geographic Distribution of Home Mortgage Loans Assessment Area: Chambersburg MSA						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
Moderate						
2022	7.2	9.9	20	27.8	4,514	33.9
2023	7.2	8.4	7	9.2	2,418	16.7
Middle						
2022	84.9	82.1	49	68.1	8,426	63.3
2023	84.9	80.6	63	82.9	11,025	76.1
Upper						
2022	7.9	8.0	3	4.2	371	2.8
2023	7.9	11.0	6	7.9	1,038	7.2
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**72**	**100.0**	**13,311**	**100.0**
2023	**100.0**	**100.0**	**76**	**100.0**	**14,481**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration to those moderate-income census areas. As shown in the following table, the bank made two loans to small businesses within moderate-income census areas for 2022, exceeding the benchmark aggregate performance by 3.2 percent. Subsequently, the bank did not make any loans to small businesses within those moderate-income census areas for 2023. Examiners observe total small business lending declined from 2022 to 2023, by volume.

Geographic Distribution of Small Business Loans Assessment Area: Chambersburg MSA						
Tract Income Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Moderate						
2022	12.4	9.3	2	12.5	924	39.9
2023	12.7	--	0	0.0	0	0.0
Middle						
2022	78.7	82.9	10	62.5	886	38.3
2023	78.6	--	7	70.0	2,020	62.3
Upper						
2022	8.9	7.8	4	25.0	503	21.7
2023	8.8	--	3	30.0	1,221	37.7
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**16**	**100.0**	**2,313**	**100.0**
2023	**100.0**	**--**	**10**	**100.0**	**3,241**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Farm Loans

As noted above, the bank only originated one farm loan in 2022 and two small farm loans in 2023, in this area, which is too low for analysis.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size. The bank's performance in home mortgage and small business lending supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate- income borrowers and the number of small business loans to businesses with GARs of $1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is poor.

As shown in the following table, the penetration of home mortgage loans to low-income borrowers significantly trailed demographic data in 2022 and 2023 by 9.5 and 9.8 percentage points, respectively. Similarly, the bank performance trailed the peer aggregate performance benchmarks by 1.2 and 2.3 percentage points.

The bank's percentage of home mortgage loans to moderate-income borrowers in 2022 significantly trailed the demographic benchmark by 15.2 percentage points, and peer aggregate performance benchmark by 16.4 percentage points. Despite the bank increasing lending to these borrowers in 2023, the performance still trailed both benchmarks.

Distribution of Home Mortgage Loans by Borrower Income Level

Assessment Area: Chambersburg MSA

Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2022	16.4	8.1	5	6.9	394	3.0
2023	16.4	8.9	5	6.6	608	4.2
Moderate						
2022	20.8	22.8	4	5.6	417	3.1
2023	20.8	23.6	15	19.7	2,340	16.2
Middle						
2022	24.0	23.1	15	20.8	2,309	17.3
2023	24.0	24.6	22	28.9	3,143	21.7
Upper						
2022	38.8	28.0	39	54.2	6,761	50.8
2023	38.8	26.5	25	32.9	5,147	35.5
Not Available						
2022	0.0	18.0	9	12.5	3,430	25.8
2023	0.0	16.5	9	11.8	3,244	22.4
Totals						
2022	**100.0**	**100.0**	**72**	**100.0**	**13,311**	**100.0**
2023	**100.0**	**100.0**	**76**	**100.0**	**14,481**	**100.0**

Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of small business loans reflects good penetration to businesses with GARs of $1.0 million or less.

As shown in the following table, while the bank's penetration of loans to businesses with GARs of $1.0 million or less in 2022 and 2023 remained below demographic data, the bank's performance

remained above the peer aggregate performance benchmark for 2022, despite experiencing an overall decrease in small business lending in the review period.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Chambersburg MSA						
Gross Revenue Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2022	88.4	48.8	12	75.0	1,699	73.5
2023	88.8	--	6	60.0	1,770	54.6
>$1,000,000						
2022	3.1	--	2	12.5	410	17.7
2023	3.1	--	2	20.0	300	9.3
Revenue Not Available						
2022	8.4	--	2	12.5	204	8.8
2023	8.2	--	2	20.0	1,171	36.1
Totals						
2022	**100.0**	**100.0**	**16**	**100.0**	**2,313**	**100.0**
2023	**100.0**	**--**	**10**	**100.0**	**3,241**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Farm Loans

As noted above, the bank only originated one farm loan in 2022 and two small farm loans in 2023, in this area, which is too low for analysis.

Community Development Loans

ACNB made an adequate level of community development loans in the Chambersburg MSA assessment area. The bank made 5 community development loans totaling $1.2 million that specifically benefitted the assessment area. ACNB's performance represents an increase by number from the previous evaluation, when the bank originated 2 loans for $10.3 million in this assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Assessment Area: Chambersburg MSA										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
3/24/22 to 12/31/22	1	250	0	0	0	0	0	0	**1**	**250**
2023	3	523	0	0	0	0	0	0	**3**	**523**
YTD 2024	1	469	0	0	0	0	0	0	**1**	**469**
Total	**5**	**1,242**	**0**	**0**	**0**	**0**	**0**	**0**	**5**	**1,242**
Source: Bank Data:										

One exemplary community development loan that benefitted the assessment area was a $250,000 loan originated in 2022 to demolish two vacant dilapidated structures and construct two new single- family detached affordable homes specifically for first time homebuyers. This project was in combination with a local housing development authority and grant monies awarded to low- and moderate-income families and borrowers. The loan supports affordable housing in the assessment area.

INVESTMENT TEST

ACNB's Investment Test performance in the Chambersburg MSA assessment area is consistent with its overall performance. The bank's performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria supports this conclusion.

Investment and Grant Activity

ACNB has an adequate level of qualified community development investments and donations in the Chambersburg MSA assessment area. As mentioned, the bank did make an investment into a mortgage-backed security supporting one borrower for $249,745 within this assessment area during 2023. The bank also made 20 grants & donations totaling approximately $31,000. Excluding the mortgage-backed security investment, this represents a moderate increase from the previous CRA evaluation where investments and grants totaled $10,925. The following table illustrates the bank's qualified grants & donations activity by type and purpose.

Qualified Investments Assessment Area: Chambersburg MSA										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Qualified Grants & Donations	4	23	8	4	4	2	4	2	**20**	**31**
Source: Bank Data										

The following is a sample of qualified investments that benefit the assessment area.

- In 2022, the bank pledged and disbursed $20,000 towards the Federal Home Loan Bank of Pittsburgh's Home4Good Initiative, directly benefiting the Chambersburg MSA. Home4Good helps those who are homeless or at risk of homelessness by channeling dollars

to local service organizations, such as the Waynesboro Community and Human Services.

- Through the evaluation period, the bank provided $3,158 in donations to the Franklin County chapter of a nationwide non-profit affordable housing organization. The organization directed the bank's donations specifically towards programs serving low- and moderate-income individuals or families residing throughout the Chambersburg MSA. These donations directly support affordable housing in the assessment area.

Responsiveness to Credit and Community Development Needs
The bank exhibits adequate responsiveness to credit and community development needs in the assessment area. ACNB continues to make an adequate volume of donations that support demonstrated needs in the area, including community development services, affordable housing, and economic development activities.

Community Development Initiatives
The bank rarely uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

ACNB's Service Test performance in the Chambersburg MSA assessment area is consistent with its overall performance. The Community Development Services performance supports this conclusion.

Accessibility of Delivery Systems
The bank's delivery systems are accessible to limited portions of the assessment area. ACNB serves the Chambersburg MSA assessment area with one full-service brick & mortar branch, located within a middle-income census tract. Alternative banking services such as telephone banking, online banking, mobile banking and applications, and digital payments are available to increase accessibility of retail banking services.

Changes in Branch Locations
There were no branch openings, closings, or relocations within this assessment area; therefore, this criterion is not applicable. ACNB maintained the single full-service brick & mortar branch through the review period.

Reasonableness of Business Hours and Services
Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. Branch hours are generally consistent with ACNB operations elsewhere and include Saturday hours.

Community Development Services
The bank provided an adequate level of community development services in the Chambersburg MSA assessment area during the evaluation period. The bank provided 13 instances of financial expertise, technical assistance, and financial education to three different community development- related organizations in this assessment area. The bank's performance is an increase from the

previous evaluation, where community development service instances totaled six for two organizations served. The following table illustrate the bank's community development service instances by year and community development purpose.

Community Development Services Assessment Area: Chambersburg MSA					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
3/24/22 to 12/31/22	1	0	3	0	**4**
2023	1	0	3	0	**4**
YTD 2024	1	0	4	0	**5**
Total	**3**	**0**	**10**	**0**	**13**
Source: Bank Data					

The following are examples of community development services that benefited the assessment area.

- Since 2022, a Vice President has served as a committee member of an organization primarily dedicated to affordable housing. Responsibilities of the committee involves first time homebuyer education, counseling through the home purchase process, and continued involvement post-closing.

- One Vice President, one Board member, and as of 2024, an additional Vice President all serve on the Board of a local chamber of commerce, promoting local small businesses and providing services such as business leadership courses and workforce development. This service promotes economic development.

MARYLAND

CRA RATING FOR MARYLAND: SATISFACTORY

The Lending Test is rated: High Satisfactory The
Investment Test is rated: Low Satisfactory The
Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND

ACNB designates two assessment areas within the MD rated area. One assessment area includes all of Frederick County in the Frederick-Gaithersburg-Rockville, MD MSA #23224. The other assessment area includes all of Carroll County in the Baltimore-Columbia-Towson, MD MSA #12580. The portions of those designated MSAs fall within the greater Washington-Baltimore- Arlington, DC-MD-VA-WV-PA CSA #548 (Washington CSA), which examiners cite as a consistent and relevant presentation for analysis of the MD assessment areas.

Of the branch offices in MD, five are in Carroll County and four are in Frederick County. The bank operates one LPO within Baltimore County, MD. The bank's operations in the MD rated area represent 22.7 percent of total lending (by number), 30.0 percent of total deposits, and 33.3 percent of total branches.

Economic and Demographic Data
There are 102 census tracts within the Washington CSA assessment area. The tracts reflect the following income designations according to 2020 US Census data:

- 3 low-income census tracts,
- 19 moderate-income census tracts,
- 55 middle-income census tracts,
- 24 upper-income census tracts, and
- 1 census tracts without an income designation.

The following table shows the demographic information for the assessment area.

Demographic Information of the Assessment Area Assessment Area: Washington CSA						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	102	2.9	18.6	53.9	23.5	1.0
Population by Geography	444,608	1.6	18.5	54.2	25.0	0.6
Housing Units by Geography	162,946	2.1	19.5	54.7	22.5	1.2
Owner-Occupied Units by Geography	121,841	1.1	15.8	56.8	25.8	0.4
Occupied Rental Units by Geography	33,719	5.4	32.3	46.7	11.9	3.7
Vacant Units by Geography	7,386	3.8	21.3	55.3	17.2	2.4
Businesses by Geography	52,213	2.8	17.8	54.3	24.0	1.1
Farms by Geography	2,539	1.2	17.3	59.1	22.1	0.4
Family Distribution by Income Level	113,597	19.4	18.6	24.5	37.4	0.0
Household Distribution by Income Level	155,560	22.5	16.5	20.1	40.9	0.0
Median Family Income MSA - 12580 Baltimore-Columbia-Towson, MD MSA		$104,637	Median Housing Value			$340,466
Median Family Income MSA - 23224 Frederick-Gaithersburg-Rockville, MD		$129,092	Median Gross Rent			$1,306
			Families Below Poverty Level			3.9%

Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

There are 162,946 total housing units in the assessment area. Of these, 74.8 percent are owner- occupied, 20.7 percent are occupied rental units, and 4.5 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As shown above, 1.1 percent and 15.8 percent of the total owner-occupied housing units are located in low- and moderate-income census tracts, respectively. This data reflects a low level of opportunities for lenders originate home mortgage loans within those low-income geographies.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the income categories for the individual MSAs in the assessment area for 2022 and 2023.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Baltimore-Columbia-Towson, MD MSA Median Family Income (12580)				
2022 ($116,100)	<$58,050	$58,050 to <$92,880	$92,880 to <$139,320	≥$139,320
2023 ($121,700)	<$60,850	$60,850 to <$97,360	$97,360 to <$146,040	≥$146,040
Frederick-Gaithersburg-Rockville, MD Median Family Income (23224)				
2022 ($143,900)	<$71,950	$71,950 to <$115,120	$115,120 to <$172,680	≥$172,680
2023 ($151,400)	<$75,700	$75,700 to <$121,120	$121,120 to <$181,680	≥$181,680
Source: FFIEC				

The Geographic Distribution criterion for small business and small farm lending compares these loans to the distribution of businesses and farms within the assessment area, respectively. The Borrower Profile criterion considers the GARs of these businesses and farms. According to 2023 D&B data, there were 52,213 businesses and 2,539 farms within the assessment area. The GARs of the businesses are as follows:

- 90.8 percent have GARs of $1.0 million or less,
- 2.8 percent have GARs of more than $1.0 million, and
- 6.4 percent have unreported GARs.

The GARs of the farms are as follows:

- 96.7 percent have GARs of $1.0 million or less,
- 1.9 percent have GARs of more than $1.0 million, and
- 1.4 percent have unreported GARs.

Service industries represent the largest percent of businesses at 36.8 percent, followed by non-classifiable establishments (22.6 percent); finance, insurance, and real estate (9.4 percent); retail trade (8.9 percent); and construction (8.7 percent). Within the assessment area, 64.6 percent of businesses have four or less employees, and 94.0 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to Moody's Analytics, as of first quarter 2024, the top employers within each MSA of the Washington CSA, in no order other than being first in each MSA, include Fort George G. Meade and the National Institutes of Health. These employers indicate a concentration of government services.

The following table details the unemployment data from the U.S. Bureau of Labor Statistics for counties within the assessment area and state. As observed, unemployment rates within the assessment areas generally align with the rated area, which is notably less than the national average. All unemployment rates appear to be rising.

Unemployment Rates			
Area	**2022**	**2023**	**August 2024**
Frederick County	2.7	2.0	2.8
Carroll County	2.4	1.7	3.2
Maryland	3.0	2.1	3.4
Nationwide	3.6	3.6	4.1
Source: US Bureau of Labor Statistics			

Competition

The assessment area is a moderately competitive market for financial and credit services. According to the FDIC Summary of Deposits as of June 30, 2024, 17 FDIC-insured institutions operated 97 branch offices within Carroll and Frederick Counties. Of these institutions, ACNB ranked 6th with a 4.8 percent market share by total deposits and 4th with a 9.3 percent market share by total branches.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2023, 393 lenders originated or purchased 11,633 home mortgage loans. Of these lenders, ACNB ranked 26th by number of originations or purchases capturing 1.0 percent of total market share. The three most prominent mortgage lenders in the assessment area, Truist Bank, PennyMac Loan Services, LLC, and PNC Bank, N.A., account for 17.5 percent of the market share.

There is a high level of competition for small business loans among banks in the assessment area. In 2022, 104 reporting lenders originated or purchased 11,975 small business loans. Of these lenders, ACNB ranked 17th by number of originations or purchases capturing 1.1 percent of total market share. The three most prominent lenders in the assessment area, American Express National Bank, JP Morgan Chase Bank, N.A., and Bank of America, N.A., account for 45.4 percent of the market share.

There is a low level of competition, yet high demand, for small farm loans among banks in the assessment area. In 2022, 16 reporting lenders originated or purchased 222 small farm loans. Of these lenders, ACNB ranked 6th by number of originations or purchases capturing 4.5 percent of total market share. Notably, ACNB captured the largest dollar amount of all lenders, thereby also capturing the largest market share by dollar volume with 28.5 percent. The three most prominent agriculture lenders in the assessment area, John Deere Financial, JP Morgan Chase Bank, N.A., and Wells Fargo Bank, N.A. account for 70.7 percent of the market share.

Community Contact

Examiners reviewed a community contact recently completed with a nonprofit organization that serves the Washington MSA, specifically in Carroll County. The contact cites a continued need to support affordable housing projects to add new units in the area, and to support small businesses with micro-lending and continued support. The affordable housing need stems from the contact's observed dilapidated stock of vacant structures that may serve as rehabilitated properties and adding affordable units to inventory. The small business need stems from larger regional and national financial institutions not meeting the necessary affordability and flexibility of terms for new small business start-ups.

Credit and Community Development Needs and Opportunities
Considering information from the community contact, bank management, and demographic data, the bank's overall assessment area has specific credit and community development needs.
Economic and demographic data supports the housing affordability issue that the community contact identified, as 38.0 percent of family earnings are low- and/or moderate-income, while 73.3 percent of housing is within middle- and upper-income areas.

In addition, small business loans are in high demand, as supported by the significant percentage of businesses with GARs of $1.0 million or less. Lending across diversified industries may provide greater employment opportunities for those low- and moderate-income residences. Examiners also cite an opportunity for local financial institutions to support area community development financial institutions, which may offer the necessary flexibility to meet those community credit needs.

SCOPE OF EVALUATION – MARYLAND

This portion of the evaluation only considers activity within the Washington CSA assessment area. Please refer to the overall Scope of Evaluation section for information on products and timeframe reviewed. Examiners consider the bank's performance in the Washington CSA assessment area in determining the state rating and conclusions, and to a lesser extent those activities occurring throughout the rated area. Examiners used full-scope procedures to assess performance in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MARYLAND

LENDING TEST

ACNB's Lending Test rating is "High Satisfactory" in the MD rated area. The bank's performance in the Lending Activity, Geographic Distribution, and Borrower Profile criteria support this conclusion.

Lending Activity
Lending levels reflect good responsiveness to the Washington CSA assessment area credit needs considering the institution's size, loan portfolio composition, and competition level.

Home Mortgage Loans
ACNB originated 196 home mortgage loans totaling $34.2 million in 2022 and 114 loans totaling $15.6 million in 2023. In 2023, ACNB ranked 26th of 393 mortgage lenders operating within the assessment area with a 1.0 percent market share by number. A majority of the top ranked lenders included large national banks, mortgage corporations, and credit unions.

Small Business Loans
ACNB originated 118 small business loans totaling $13.3 million in 2022 and 70 loans totaling $13.9 million in 2023 in the assessment area. In 2022, ACNB ranked 17th out of 104 small business loan reporters operating within the assessment area with a 1.1 percent market share by number. A majority of the top ranked lenders include large national banks and business credit card lenders.

Small Farm Loans
ACNB originated 10 small farm loans totaling $2.3 million in 2022 and 16 loans totaling $2.7 million in 2023 in the assessment area. In 2022, ACNB ranked 6th out of 16 small farm lending reporters operating within the assessment area with a 4.5 percent market share by number. A majority of the top ranked lenders include other large community banks and national banks.

Geographic Distribution
The geographic distribution of loans reflects good penetration throughout the assessment area. ACNB's good performance of home mortgage, small business, and small farm lending supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income census tracts trailed demographics and peer aggregate performance for 2022 by 0.1 and 0.5 percentage points, respectively. The bank's performance increased for 2023, where the bank surpassed demographics and peer aggregate performance by 2.4 and 0.4 percentage points, respectively.

The bank's performance in moderate-income census tracts similarly trailed those benchmarks for 2022 and subsequently improved for 2023. The bank's performance trailed those benchmarks by 4.1 and 3.3 percentage points for 2022 and surpassed those benchmarks by 8.8 and 7.6 percentage points for 2023, respectively.

The bank's performance increases in both low- and moderate-income census tracts year-over-year, and the bank's consistent ability to make loans in these areas supports the overall good performance.

Geographic Distribution of Home Mortgage Loans Assessment Area: Washington CSA						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	1.1	1.5	2	1.0	1,164	3.4
2023	1.1	3.1	4	3.5	394	2.5
Moderate						
2022	15.8	15.0	23	11.7	3,388	9.9
2023	15.8	17.0	28	24.6	3,466	22.2
Middle						
2022	56.8	57.4	139	70.9	24,141	70.6
2023	56.8	55.8	67	58.8	9,353	60.0
Upper						
2022	25.8	25.5	32	16.3	5,516	16.1
2023	25.8	23.6	14	12.3	1,933	12.4
Not Available						
2022	0.4	0.6	0	0.0	0	0.0
2023	0.4	0.4	1	0.9	434	2.8
Totals						
2022	**100.0**	**100.0**	**196**	**100.0**	**34,209**	**100.0**
2023	**100.0**	**100.0**	**114**	**100.0**	**15,579**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. As shown in the following table, the bank surpassed both demographics and peer aggregate performance for 2022 by 0.6 and 0.9 percentage points, respectively, and those demographics for 2023 by 0.1 percentage point. The bank's performance in low-income census tracts supports the overall performance rating.

The bank trailed both the demographics and peer aggregate performance by 4.2 and 3.5 percentage points, respectively, in moderate-income census tracts for 2022, and trailed demographics for 2023 by 2.1 percentage points.

Geographic Distribution of Small Business Loans Assessment Area: Washington CSA						
Tract Income Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	2.8	2.5	4	3.4	749	5.6
2023	2.8	--	2	2.9	1,564	11.3
Moderate						
2022	17.8	17.1	16	13.6	1,767	13.3
2023	17.8	--	11	15.7	3,015	21.7
Middle						
2022	54.2	51.8	82	69.5	8,385	63.2
2023	54.3	--	48	68.6	8,512	61.3
Upper						
2022	24.1	27.8	16	13.6	2,364	17.8
2023	24.0	--	9	12.9	784	5.6
Not Available						
2022	1.2	0.8	0	0.0	0	0.0
2023	1.1	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**118**	**100.0**	**13,265**	**100.0**
2023	**100.0**	**--**	**70**	**100.0**	**13,875**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the assessment area. While ACNB did not originate any loans in the low-income census tracts during the review period, the 2022 aggregate data reflected very low peer activity in these tracts. Furthermore, only 1.2 percent of the assessment area farms are located in the low-income census tracts, as of 2023.

The bank exceeded the demographic and peer aggregate performance by 3.7 and 0.5 percentage points, respectively, in moderate-income census tracts for 2022. The bank's level of lending remained the same in these areas, however showed a proportional decline due to a near two-fold increase in lending to those middle-income census tract areas. This accounts for the bank trailing demographic benchmarks by 5.1 percentage points for 2023.

Considering the exceedingly low likelihood of making small farm loans in low-income census tracts, and the banks consistent ability to make small farm loans in moderate-income census tracts, examiners determine the overall performance is good.

Geographic Distribution of Small Farm Loans Assessment Area: Washington CSA						
Tract Income Level	**% of Farms**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	1.1	0.5	0	0.0	0	0.0
2023	1.2	--	0	0.0	0	0.0
Moderate						
2022	16.3	19.5	2	20.0	143	6.2
2023	17.3	--	2	12.5	396	14.9
Middle						
2022	59.9	70.6	8	80.0	2,153	93.8
2023	59.1	--	14	87.5	2,255	85.1
Upper						
2022	22.3	9.5	0	0.0	0	0.0
2023	22.1	--	0	0.0	0	0.0
Not Available						
2022	0.4	0.0	0	0.0	0	0.0
2023	0.4	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**10**	**100.0**	**2,296**	**100.0**
2023	**100.0**	**--**	**16**	**100.0**	**2,651**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size. The bank's excellent performance in home mortgage and small farm lending primarily supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business and farm loans to businesses and farms with GARs of $1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent.

As shown in the following table, while the penetration of home mortgage loans to low-income borrowers in 2022 and 2023 trailed demographic data, the bank's performance exceeded the peer aggregate benchmark for each year by 0.9 and 9.6 percentage points, respectively, despite the peer performance indicating a state of decline in lending to these borrowers.

The bank's percentage of home mortgage loans to moderate-income borrowers in 2022 slightly exceeded the demographic benchmark, while trailing the peer aggregate performance by 2.1 percentage points. By 2023, the banks performance exceeded the demographics by 2.2 percentage points and slightly trailed the peer aggregate performance by 0.5 percentage points.

Low-income borrowers represent a higher proportion of the assessment area when compared to moderate-income borrowers, and the bank's performance significantly exceeded the aggregate data for these low-income borrowers. That, along with the proportional increase in loans originated to these borrowers from 2022 to 2023, supports the excellent rating.

Distribution of Home Mortgage Loans by Borrower Income Level

Assessment Area: Washington CSA

Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2022	19.4	10.3	22	11.2	1,332	3.9
2023	19.4	8.8	21	18.4	1,373	8.8
Moderate						
2022	18.6	23.0	39	19.9	4,064	11.9
2023	18.6	23.3	26	22.8	2,231	14.3
Middle						
2022	24.5	25.4	47	24.0	5,657	16.5
2023	24.5	25.4	18	15.8	1,513	9.7
Upper						
2022	37.4	25.1	65	33.2	13,568	39.7
2023	37.4	26.7	26	22.8	5,394	34.6
Not Available						
2022	0.0	16.1	23	11.7	9,589	28.0
2023	0.0	15.8	23	20.2	5,069	32.5
Totals						
2022	**100.0**	**100.0**	**196**	**100.0**	**34,209**	**100.0**
2023	**100.0**	**100.0**	**114**	**100.0**	**15,579**	**100.0**

Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of small business loans reflects poor penetration to businesses with GARs of $1.0 million or less.

As shown in the following table, the bank's penetration of loans to businesses with GARs of $1.0 million or less in 2022 and 2023 remained significantly below demographics and peer aggregate performance benchmark for 2022.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Washington CSA						
Gross Revenue Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2022	90.2	52.5	36	30.5	3,861	29.1
2023	90.8	--	27	38.6	6,773	48.8
>$1,000,000						
2022	3.1	--	73	61.9	7,405	55.8
2023	2.8	--	33	47.1	4,849	34.9
Revenue Not Available						
2022	6.7	--	9	7.6	1,999	15.1
2023	6.4	--	10	14.3	2,253	16.2
Totals						
2022	**100.0**	**100.0**	**118**	**100.0**	**13,265**	**100.0**
2023	**100.0**	**--**	**70**	**100.0**	**13,875**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Farm Loans

The distribution of small farm loans reflects excellent penetration of loans to farms with GARs of $1.0 million or less. As shown in the following table, while the bank's penetration of loans to farms with GARs of $1.0 million or less in 2022 and 2023 trailed demographic data, ACNB greatly exceeded the 2022 aggregate data. A significant majority of the bank's loans were to farms with GARs of $1.0 million or less.

Distribution of Small Farm Loans by Gross Annual Revenue Category Assessment Area: Washington CSA						
Gross Revenue Level	**% of Farms**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2022	96.4	33.9	7	70.0	1,806	78.7
2023	96.7	--	12	75.0	1,348	50.8
>$1,000,000						
2022	2.1	--	2	20.0	405	17.6
2023	1.9	--	3	18.8	803	30.3
Revenue Not Available						
2022	1.5	--	1	10.0	85	3.7
2023	1.4	--	1	6.3	500	18.9
Totals						
2022	**100.0**	**100.0**	**10**	**100.0**	**2,296**	**100.0**
2023	**100.0**	**--**	**16**	**100.0**	**2,651**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Community Development Loans

ACNB made an adequate level of community development loans in the MD rated area and the Washington CSA assessment area. The bank made 18 community development loans totaling $15.3 million, and 8 of those loans totaling $11.5 million specifically benefitted the Washington CSA assessment area. Based upon the good performance within the assessment area, examiners include the activities supporting the broader MD rated area, which were an additional 10 loans totaling $3.8 million. Although slightly less than the previous evaluation, ACNB's performance is comparable to then, when the bank originated 20 loans totaling $17.4 million. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Assessment Area: Washington CSA										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
3/24/22 to 12/31/22	2	1,585	0	0	0	0	0	0	**2**	**1,585**
2023	8	2,751	0	0	0	0	0	0	**8**	**2,751**
YTD 2024	8	10,922	0	0	0	0	0	0	**8**	**10,922**
Total	**18**	**15,258**	**0**	**0**	**0**	**0**	**0**	**0**	**18**	**15,258**
Source: Bank Data										

The following is a sample of community development loans that benefit the assessment area:

- Broadly within the MD rated area, in 2022, the bank originated a $175,000 loan to a local

chapter of a national non-profit affordable housing program. This loan is for the rehabilitation of a vacant dilapidated home for the eventual resell towards a qualifying low- or moderate-income family within the rated area. The loan supports affordable housing in the rated area.

- Within the Washington CSA, in 2022, the bank originated a $1.4 million loan to a local chapter of a national non-profit affordable housing program. These proceeds are for the purchase of two properties with 4 units each, and a vacant lot between the structures for the construction of a new residence, which will provide a total of 12 units of new affordable housing stock within a low-income census tract in Frederick, MD.

INVESTMENT TEST

ACNB's Investment Test rating is "Low Satisfactory" in the MD rated area. The bank's adequate performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria support this conclusion.

Investment and Grant Activity

ACNB has an adequate level of qualified community development investments and donations in the Washington CSA assessment area. As presented, the bank made no new qualified investments specific to the Washington CSA. However, as mentioned, the bank did make an investment into a mortgage-backed security supporting 3 borrowers for $1.3 million within this assessment area during 2023. The bank also maintained one prior period investment with a current book value of $457,000 and 57 grants & donations totaling approximately $62,000. Excluding the mortgage- backed security investment, this represents a moderate decrease from the previous CRA evaluation where investments and grants totaled $569,000. The following table illustrates the bank's qualified investment activity by investment type and purpose.

Qualified Investments **Assessment Area: Washington CSA**										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	1	457	0	0	0	0	0	0	**1**	**457**
3/24/22 to 12/31/22	0	0	0	0	0	0	0	0	**0**	**0**
2023	0	0	0	0	0	0	0	0	**0**	**0**
YTD 2024	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**1**	**457**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**457**
Qualified Grants & Donations	10	16	47	46	0	0	0	0	**57**	**62**
Total	**11**	**473**	**47**	**46**	**0**	**0**	**0**	**0**	**58**	**519**
Source: Bank Data										

The following is a sample of qualified investments that benefit the assessment area:

- Prior to the evaluation, the bank purchased an MBS that has a current book value of

$457,000. Ten loans secured by single-family residential properties collateralize the MBS; most of which were originated to low- and moderate-income borrowers in Frederick County. This security supports affordable housing in the assessment area.

- During the evaluation period, the bank provided $14,000 in donations to both the Frederick County and Carroll County chapters of a nationwide non-profit organization. The organization directed the bank's donations specifically towards programs for youth engagement and food security. These programs serve low- and moderate-income individuals or families residing in Frederick County and support community development services throughout the assessment area.

- During the evaluation period, the bank provided $15,456 in donations to a non-profit affordable housing organization serving both Carroll and Frederick Counties. In addition to building affordable homes and rehabilitating houses, the organization provides financial counseling as part of the qualification process. These donations support affordable housing throughout the assessment area.

- During the evaluation period, the bank provided over $3,756 in donations to various food pantries serving both Frederick County and Carroll County. These organizations provide emergency supplemental food to low- and moderate-income families. These donations support community development services throughout the assessment area.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community development needs in the assessment area. ACNB maintains the outstanding MBS from the prior period, and further supported low- and moderate-income borrowers with an additional security purchase, while continuing to make an adequate volume of donations that primarily support community development services and affordable housing, which are demonstrated community development needs in the assessment area.

Community Development Initiatives

The bank rarely uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

The Service Test performance in the MD rated area is "High Satisfactory." The bank's performance under the Community Development Services criterion primarily supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. ACNB serves the Washington CSA assessment area with nine full-service brick & mortar branches, each having an ATM, with two of these branches operating in moderate-income census

tracts. Alternative banking services such as telephone banking, online banking, mobile banking and applications, and digital payments are available to increase accessibility of retail banking services.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low-and moderate-income geographies and/or to low- and moderate-income individuals. ACNB closed one full-service brick & mortar branch in a middle-income census tract (Carroll County) and closed another in a low-income census tract (Frederick County). ACNB did not open any new branches in this assessment area during the review period.

The bank maintains a branch 1.5 miles west within downtown Frederick, MD, while two larger regional financial institutions remained within the low-income census tract. From the most recent summary of deposits data, as of June 30, 2024, there were 10 financial institutions with 16 branches (including ACNB operations) serving the specific zip code of 21701 in Frederick, MD. The branch closure did not adversely affect the accessibility of delivery systems.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. Branch hours are generally consistent at each location with weekday hours from 9:00 A.M. to 4:00 P.M. and extended hours on Thursday and Friday. The majority of full-service branches offer Saturday hours.

Community Development Services

The bank provided a relatively high level of community development services in the Washington CSA assessment area during the evaluation period. The bank provided 33 instances of financial expertise, technical assistance, and financial education to 13 different community development- related organizations in this assessment area. The bank's performance is an increase from the previous evaluation, where community development service instances totaled 19 for 5 organizations served. The following table illustrate the bank's community development service instances by year and community development purpose.

Community Development Services **Assessment Area: Washington CSA**					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
3/24/22 to 12/31/22	3	4	2	0	**9**
2023	4	4	3	0	**11**
YTD 2024	4	5	4	0	**13**
Total	**11**	**13**	**9**	**0**	**33**
Source: Bank Data					

The following are examples of community development services that benefited the assessment area.

- Within the Washington CSA, and through the review period, four of ACNB's Senior Management served separately on three separate chapters of a national non-profit organization providing affordable housing throughout the assessment area. While three served since the previous evaluation, one additional employee joined a chapter in 2023, providing an overall total of 11 instances supporting affordable housing initiatives in the assessment area.

- Since 2022, one Vice President serves on the Board of a national non-profit dedicated to providing emergency and essential community services for low- and moderate-income residents in Frederick County. This service provides community service activities.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
    i. The proportion of the bank's lending in the bank's assessment area(s);
    ii. The dispersion of lending in the bank's assessment areas(s); and
    iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
    i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
    ii. Small business and small farm loans to businesses and farms with gross annual revenues of $1 million or less;
    iii. Small business and small farm loans by loan amount at origination; and
    iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

1) The dollar amount of qualified investments;
2) The innovativeness or complexity of qualified investments;
3) The responsiveness of qualified investments to available opportunities; and
4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.,* RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

1) The extent to which the bank provides community development services; and
2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

ACNB Bank	
Scope of Examination: Full scope reviews were performed on the following assessment areas within the noted rated areas: Commonwealth of Pennsylvania: Harrisburg-York CSA Assessment Area Chambersburg MSA Assessment Area State of Maryland: Washington CSA Assessment Area	
Time Period Reviewed:	03/24/2022 to 11/18/2024
Products Reviewed: Home Mortgage Lending: 01/01/2022 through 12/31/2023 Small Business Lending: 01/01/2022 through 12/31/2023 Small Farm Lending: 01/01/2022 through 12/31/2023	

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
PENNSYLVANIA	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
MARYLAND	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose bank:

(i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;

(2) Is related to the provision of financial services; and

(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract 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 (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PUBLIC DISCLOSURE

October 25, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Traditions Bank
Certificate Number:
57377

235 St. Charles
Way York,
Pennsylvania
17402

Federal Deposit Insurance
Corporation Division of Depositor
and Consumer Protection New York
Regional Office

350 Fifth Avenue, Suite
1200 New York, New
York 10118

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 RATING

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

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Outstanding.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.

- A majority of home mortgage and small business loans are in the institution's assessment area.

- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.

- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

- The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

DESCRIPTION OF INSTITUTION

In April 2021, York Traditions Bank underwent a rebranding to change the name to Traditions Bank, in a marketing effort to more broadly represent their market. The bank also completed its reorganization into a holding company structure effective May 1, 2021 and is wholly owned by Traditions Bancorp, Inc. Traditions Bank and the holding company each maintain their headquarters in York, Pennsylvania (PA). The institution received an Outstanding rating at its previous FDIC Performance Evaluation, dated September 10, 2018, also based on Interagency Intermediate Small Institution Examination Procedures.

Operations

Traditions Bank operates seven full-service branches in two counties located in south central PA. The bank operates the main office and five branch offices in York County. In April 2021, the Oregon Pike branch office opened in an upper-income census tract in Lancaster County. No offices have closed or relocated since the previous CRA evaluation. The bank continues to operate a loan production office (LPO) in Cumberland County.

Traditions Bank offers a range of home mortgage and commercial lending products. The bank continues to offer government home loans through the Veteran's Administration, Federal Housing Administration, United States Department of Agriculture, and Pennsylvania Housing Finance Agency. During 2020 and 2021, Traditions Bank was an active participant in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) originating 754 PPP loans totaling
$74.0 million to businesses financially struggling because of the COVID-19 pandemic.

The institution provides a variety of deposit services including checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts.

Alternative banking services include online and personal mobile banking, electronic bill pay, eStatements, and account- to-account transfers. Traditions Bank operates seven bank-owned automated teller machines (ATMs) and is part of the MoneyPass surcharge-free ATM network, which includes more than 37,000 ATMs nationwide.

Ability and Capacity

Assets totaled approximately $705.7 million as of June 30, 2021, and included total loans of approximately $518.8 million and securities totaling $102.7 million. The bank reported total deposits of $629.6 million with a net LTD ratio of 81.3 percent. The bank's overall loan portfolio remains similar in composition to the last exam. The following table illustrates the loan portfolio as of June 30, 2021.

Loan Portfolio Distribution as of 6/30/2021		
Loan Category	**$(000s)**	**%**
Construction and Land Development	53,022	10.2
Secured by Farmland	678	0.1
1-4 Family Residential	177,997	34.3
Multi-family (5 or more) Residential	12,596	2.5
Commercial Real Estate	177,437	34.2
Total Real Estate Loans	421,730	81.3
Loans to Finance Agricultural Production	0	0.0
Commercial and Industrial	87,156	16.8
Consumer	117	0.0
Obligations	3,190	0.6
Other	6,570	1.3
Total Loans	**518,763**	**100.0**
Source: Reports of Condition and Income		

Traditions Bank is primarily a real estate lender as loans secured by real estate represent 81.3 percent of the loan portfolio. Commercial loans, consisting of commercial real estate and commercial and industrial loans, comprise 51.0 percent of the portfolio, while loans secured by one- to-four family residential real estate comprise 34.3 percent of the portfolio. Since 2019, Traditions Bank sold 4,479 home mortgage loans totaling $994.5

million in the secondary market that are not reflected in the loan portfolio totals.

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners evaluate its CRA performance. The FDIC evaluates the institution's CRA performance based on the defined assessment areas. Traditions Bank designates one individual assessment area encompassing the entire York-Hanover, PA Metropolitan Statistical Area (MSA). Due to branch expansion in April 2021, the bank added a new assessment area to include all census tracts within Lancaster County (Lancaster, PA MSA). However, due to the limited loan activity and time spent in the Lancaster, PA MSA, the current CRA evaluation includes an analysis of lending activity in the York-Hanover, PA MSA only. Examiners will perform a review of the bank's expanded assessment area within the Lancaster, PA MSA at a subsequent CRA evaluation.

During the evaluation period, the assessment area did not include any census tracts designated as distressed or underserved. However, an emergency declaration (EM-3441) and a major disaster declaration (DR-4506) both related to COVID-19 affected the assessment area as of March 2020 continuing through the current evaluation. In addition, the Federal Emergency Management Agency (FEMA) designated York County as a disaster area on September 10, 2021 due to Pennsylvania Remnants of Hurricane Ida (4618-DR-PA). Examiners may consider any activity that revitalized or stabilized the designated disaster area through economic development and community services for 36 months following the disaster designation.

The bank's assessment area conforms to the requirements of the CRA regulation and does not arbitrarily exclude any low- and moderate-income geographies. The following sections discuss economic and demographic information for the assessment area.

Economic and Demographic Data

The bank's assessment area includes York County in its entirety. The assessment area includes 90 census tracts. The demographics of these census tracts include:

- 13 low-income tracts;
- 7 moderate-income tracts;
- 55 middle-income tracts; and
- 15 upper-income tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	90	14.4	7.8	61.1	16.7	0.0
Population by Geography	439,660	7.9	6.5	68.0	17.6	0.0
Housing Units by Geography	180,237	8.3	7.0	68.5	16.2	0.0
Owner-Occupied Units by Geography	124,269	3.3	6.2	70.9	19.6	0.0
Occupied Rental Units by Geography	43,147	19.8	9.2	63.9	7.0	0.0
Vacant Units by Geography	12,821	17.9	7.4	60.6	14.1	0.0
Businesses by Geography	33,119	9.3	6.6	65.9	18.3	0.0
Farms by Geography	1,352	1.8	4.0	75.1	19.1	0.0
Family Distribution by Income Level	116,539	19.5	18.4	22.3	39.9	0.0
Household Distribution by Income Level	167,416	22.6	16.9	19.6	40.9	0.0
Median Family Income MSA - 49620 York-Hanover, PA MSA		$69,846	Median Housing Value			$165,790
			Median Gross Rent			$845
			Families Below Poverty Level			7.8%

Source: 2015 American Community Survey (ACS) and 2020 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

There are 180,237 housing units in the assessment area. Of these, 69.0 percent are owner-occupied,
23.9 percent are occupied rental units, and 7.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Examiners used the 2019 and 2020 Federal Financial Institutions Examination Council's (FFIEC) updated median family income (MFI) to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
York-Hanover, PA MSA Median Family Income (49620)				
2019 ($76,600)	<$38,300	$38,300 to <$61,280	$61,280 to <$91,920	≥$91,920
2020 ($82,200)	<$41,100	$41,100 to <$65,760	$65,760 to <$98,640	≥$98,640
Source: FFIEC				

According to 2020 D&B data, there were 33,119 businesses. Gross annual revenues (GARs) for these businesses are below.

- 86.8 percent have GARs of $1 million or less,
- 4.4 percent have GARS of more than $1 million, and
- 8.8 percent have unreported GARs.

Service industries represent the largest portion of businesses at 37.7 percent; followed by non- classifiable establishments (18.3 percent); retail trade (12.0 percent); and finance, insurance, and real estate (8.4 percent). In addition, 64.3 percent of area businesses have four or fewer employees, and 90.9 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the August 2021 unemployment rate was 6.7 percent in PA. The August 2021 York County unemployment rate was lower at 5.9 percent. Unemployment rates increased during the review period, with the highest unemployment rates in April through July 2020 due to the COVID-19 pandemic.

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 14 financial institutions operating 114 branches within the assessment area. Of these institutions, Traditions Bank ranked 7th with a 6.0 percent deposit market share.

There is a moderately high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 438 lenders reported 22,863 residential mortgage loans originated or purchased in this assessment area. Traditions Bank ranked first out of this group of lenders, with a market share of 6.8 percent.

Traditions Bank is not required to collect or report small business loan data and has not elected to do so. Therefore, analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans. Aggregate data for 2019 shows that 92 institutions reported 7,065 small business loans, indicating a moderate degree of competition for this product. The three most prominent small business lenders (American Express National Bank; JP Morgan Chase Bank, N.A.; and US Bank, N.A.) accounted for 37.4 percent of total market share.

Community Contact

As part of the evaluation process, examiners contact third parties within the assessment area to gain insight on local economic conditions, credit needs, area challenges and opportunities. This information can help determine if banks in the area are responsive to the needs of the community. It also shows what credit and community development opportunities are available.

Examiners conducted a community contact with a community services organization serving York County. The community contact noted the current employment environment is benefiting low- and moderate-income individuals and families through a labor shift happening for those leveraging their developed skills for better pay and vacating entry-level or mid-tier positions, thereby opening up opportunities for new entrants. There is a continued need to support organizations that have workforce development programs and partnerships to hire, place, and train at all skill-level positions, but primarily those targeting single-parent head-of-households in low- and moderate-income communities that also happen to be majority-minority neighborhoods. The contact further elaborated that there is an inherent need for affordable housing lending to low- and moderate-income individuals and families.

Credit and Community Development Needs and Opportunities

Considering the demographic data, the ongoing COVID-19 pandemic, and the demographic and economic data, examiners determined that affordable home mortgage loans represent the primary credit need within the bank's assessment area. There is a need for affordable housing for both owner-occupied and rental use. Additionally, small business loans are in high demand, as supported by the significant percentage of businesses with GARs of $1.0 million or less.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 10, 2018, to the current evaluation dated October 25, 2021. Examiners used Interagency Intermediate Small Institution CRA Examination Procedures to evaluate CRA performance. Intermediate Small Institution CRA Examination Procedures include a Lending Test and a Community Development Test.

As noted previously, Traditions Bank designates one assessment area. Examiners performed a full- scope review of the bank's performance in the York-Hanover, PA MSA assessment area.
Examiners will perform a review of the bank's Lancaster, PA MSA assessment area at a subsequent CRA evaluation.

Activities Reviewed

Examiners determined that home mortgage and small business loans constitute the bank's major product lines. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. However, in comparison to prior years, the bank's volume of small business loans increased in 2020, reflecting the bank's participation in the SBA's PPP.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number of loans originated when compared to small business lending during the evaluation period. In addition, no other loan types, such as small farm loans or consumer loans represent a major product line. Therefore, examiners did not present other loan types, as they provided no material support for conclusions or ratings. Traditions Bank originated one small farm loans for $220,000 in 2020.

Home mortgage loans include home purchase loans, home improvement loans, and refinance loans reported in accordance with the Home Mortgage Disclosure Act (HMDA). This evaluation considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 HMDA Loan Application Registers (LARs). For 2018, the bank reported 895 loans totaling $176.1 million; for 2019, the bank reported 1,088 loans totaling $220.7 million; and for 2020, the bank reported 2,083 loans totaling $467.5 million.

Small business loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or classified as commercial and industrial loans. Due to asset size, Traditions Bank is not required to collect or report small business or small farm loans. Examiners selected a sample of small business loans originated between January 1, 2020, and December 31, 2020, finding this representative of the bank's performance

during the entire evaluation period. The bank originated 492 small business loans totaling approximately $54.3 million in 2020, of which examiners sampled 60 loans totaling approximately $6.5 million.

Although examiners analyzed and may comment on all three years of data provided, the variance of activity between 2018 and 2019 is not material to present for all portions of this evaluation; therefore, the primary presentation of activities are those from 2019 and 2020. Data from 2020, the most recent year for which aggregate data is available, contributed more weight to overall conclusions. For comparative purposes, the evaluation will present 2020 aggregate HMDA data, 2015 ACS data, and 2020 D&B data.

While the evaluation presents both number and dollar volume of loans within the Lending Test, examiners emphasized performance by number of loans under the geographic distribution and borrower profile criteria, because the number of loans is a better indicator of the number of businesses and individuals served.

Bank management provided information on community development loans, investments, and services since the prior CRA evaluation dated September 10, 2018.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Traditions Bank's overall Lending Test performance is rated "Outstanding." The bank's excellent performance under the Geographic Distribution and Borrower Profile criteria and more than reasonable LTD ratio primarily supports this rating.

Loan-to-Deposit Ratio

The net LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's average net LTD ratio, calculated from Call Report data, averaged 93.7 percent over the past twelve calendar quarters from September 30, 2018, to June 30, 2021. The ratio ranged from a high of 100.2 percent as of September 30, 2018, to a low of 81.3 percent as of June 30, 2021. The ratio slowly declined during the evaluation period.

As of June 30, 2021, Traditions Bank's net LTD of 81.3 percent exceeds its Uniform Bank Performance Report (UPPR) peer group's ratio of 70.9 percent. The bank's peer group is defined as insured commercial banks having assets between $300 million and $1 billion.

In both York and Lancaster Counties, there are no institutions with a similar asset size, branch network, and lending focus that provide an adequate comparison for the net LTD ratio. Examiners considered the dollar amount of loans sold to the secondary market to further support the more than reasonable assessment. As noted previously, since January

2019, Traditions Bank sold 4,479 home mortgage loans totaling $994.5 million in the secondary market that are not included in the loan portfolio totals or in the net LTD ratio calculation.

Assessment Area Concentration

The bank made a majority of its home mortgage and small business loans, by number and dollar volume, within its assessment area. The slight decrease in home mortgage lending within the assessment area between years is due to increased lending in the bordering Harrisburg-Carlisle, PA MSA, where the bank's LPO is located, and in the Lancaster, PA MSA, where the bank opened an full-service branch office in April 2021. Please see the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Home Mortgage										
2018	711	79.4	184	20.6	895	137,799	78.3	38,278	21.7	176,077
2019	851	78.2	237	21.8	1,088	166,047	75.2	54,688	24.8	220,735
2020	1,556	74.7	527	25.3	2,083	334,003	71.4	133,477	28.6	467,480
Subtotal	**3,118**	**76.7**	**948**	**23.3**	**4,066**	**637,849**	**73.8**	**226,443**	**26.2**	**864,292**

Small Business										
2020	54	90.0	6	10.0	60	6,355	98.0	133	2.0	6,488
Subtotal	**54**	**90.0**	**6**	**10.0**	**60**	**6,355**	**98.0**	**133**	**2.0**	**6,488**
Total	**3,172**	**76.9**	**954**	**23.1**	**4,126**	**644,204**	**74.0**	**226,576**	**26.0**	**870,780**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the assessment area. The bank's excellent performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the geographic distribution of home mortgage loans by number of loans in both low- and moderate-income census tracts exceeded aggregate lending data in 2019 and 2020. In addition, the bank's performance exceeded demographic data in low- and moderate- income census tracts in 2019, and the bank's performance was comparable to demographic data in low- and moderate-income census tracts in 2020.

Market share data further supports the bank's excellent performance. In 2020, 93 lenders originated 516 home mortgage loans in low-income census tracts in the bank's assessment area. Traditions Bank ranked first in lending in low-income census tracts with a 9.1 percent market share. Similarly, in 2020, 127 lenders originated 1,092 home mortgage loans in moderate-income census tracts in the bank's assessment area. Traditions Bank ranked first in lending in moderate-income census tracts with an 8.5 percent market share. The bank's performance in both low- and moderate-income census tracts exceeded its overall market share of 6.8 percent.

Geographic Distribution of Home Mortgage Loans

Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2019	3.3	2.6	59	6.9	4,907	3.0
2020	3.3	2.3	47	3.0	10,216	3.1
Moderate						
2019	6.2	5.8	75	8.8	8,600	5.2
2020	6.2	4.8	93	6.0	11,393	3.4
Middle						
2019	70.9	70.4	560	65.8	111,373	67.1
2020	70.9	68.4	1,074	69.0	218,200	65.3
Upper						
2019	19.6	21.1	157	18.4	41,168	24.8
2020	19.6	24.5	342	22.0	94,194	28.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	**100.0**	**100.0**	**851**	**100.0**	**166,047**	**100.0**
2020	**100.0**	**100.0**	**1,556**	**100.0**	**334,003**	**100.0**

Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. Examiners compared the bank's small business lending to D&B demographic data.

As shown in the following table, the geographic distribution of sampled small business loans in low-income census tracts significantly exceeded demographic data. The bank originated 9 of the 54, or 16.7 percent of the small business loans sampled in low-income tracts within its assessment area, which exceeded the 9.3 percent of businesses that operate within those tracts. The bank originated 3 of the 54, or 5.6 percent of the small business loans sampled in moderate-income tracts within its assessment area, which is slightly less than the 6.6 percent of businesses that operate within those tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2020	9.3	9	16.7	1,180	18.6
Moderate					
2020	6.6	3	5.6	140	2.2
Middle					
2020	65.9	35	64.8	3,536	55.6
Upper					
2020	18.3	7	13.0	1,500	23.6
Not Available					
2020	0.0	0	0.0	0	0.0
Totals					
2020	**100.0**	**54**	**100.0**	**6,356**	**100.0**
Source: 2020 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*					

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's excellent performance of home mortgage lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of $1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is excellent. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the distribution of home mortgage loans to low-income borrowers exceeded aggregate lending data in 2019 and 2020. In 2020, the bank's level of

lending to low- income borrowers increased, as did the bank's overall volume of home mortgage lending. Although the level of lending to low-income borrowers is less than the percentage of low-income families residing in the assessment area, these families had incomes less than $41,100, and would not likely qualify for a mortgage loan under conventional underwriting standards. This is particularly true considering the median housing value of $165,790. In addition, examiners considered the economic impacts of the COVID-19 pandemic in 2020, especially to low-income borrowers.

In 2019, the distribution of home mortgage loans to moderate-income borrowers is slightly lower than aggregate lending percentages. The bank's level of lending to moderate-income borrowers increased in 2020, as did the bank's overall volume of home mortgage lending; however, it exceeded both demographic and aggregate percentages.

Market share data further supports the bank's excellent performance. In 2020, 160 lenders originated 1,676 home mortgage loans to low-income borrowers within the assessment area. Traditions Bank ranked first in lending to low-income borrowers with a 7.3 percent market share. Similarly, in 2020, 232 lenders originated 4,189 home mortgage loans to moderate-income borrowers within the assessment area. Traditions Bank ranked first in lending to moderate-income borrowers with a 7.4 percent market share. The bank's performance to both low- and moderate- income borrowers exceeded its overall market share of 6.8 percent.

Distribution of Home Mortgage Loans by Borrower Income Level

Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2019	19.5	8.1	81	9.5	8,555	5.2
2020	19.5	7.3	122	7.8	13,074	3.9
Moderate						
2019	18.4	20.0	158	18.6	21,205	12.8
2020	18.4	18.3	308	19.8	44,998	13.5
Middle						
2019	22.3	22.7	201	23.6	33,836	20.4
2020	22.3	21.8	358	23.0	68,310	20.5

Upper						
2019	39.9	33.9	361	42.4	92,158	55.5
2020	39.9	33.0	730	46.9	196,662	58.9
Not Available						
2019	0.0	15.2	50	5.9	10,294	6.2
2020	0.0	19.5	38	2.4	10,959	3.3
Totals						
2019	**100.0**	**100.0**	**851**	**100.0**	**166,047**	**100.0**
2020	**100.0**	**100.0**	**1,556**	**100.0**	**334,003**	**100.0**

Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs less than or equal to $1 million. Examiners compared the bank's small business lending to D&B demographic data.

As shown in the following table, the bank originated 28 of the 54 sampled small business loans, or
51.9 percent to businesses with GARs less than or equal to $1 million. This percentage of lending was lower than the percentage of businesses that had the same GARs. Examiners noted that the seven loans with unavailable revenues were PPP loans. An analysis by loan size shows that 54 of 60 sampled loans (90.0 percent) are in amounts less than $250,000, a further indication that the bank is serving the needs of small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2020	86.8	28	51.9	1,465	23.0
>$1,000,000					

2020	4.4	19	35.2	4,609	72.5
Revenue Not Available					
2020	8.8	7	13.0	282	4.4
Totals					
2020	**100.0**	**54**	**100.0**	**6,356**	**100.0**
Source: 2020 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Traditions Bank's Community Development Test performance is rated "Outstanding." The bank's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

During the evaluation period, Traditions Bank originated 62 community development loans totaling
$25.8 million. This level of activity represents 4.5 percent of average total assets ($574,031,000) and 5.6 percent of average total loans ($457,838,000) since the prior

CRA evaluation. The bank's level of community development loans significantly increased since the prior evaluation, partially due to the bank's participation in the SBA's PPP. At the prior CRA evaluation, the bank originated nine community development loans totaling $4.3 million, representing 1.3 percent of average total loans.

Since Traditions Bank was responsive to community development needs and opportunities within its assessment area, examiners considered one community development loan totaling $1.2 million that benefitted the broader regional and statewide area, specifically Adams County, PA.

The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
9/10/2018-12/31/2018	0	0	0	0	1	1,200	0	0	**1**	**1,200**
2019	0	0	0	0	0	0	0	0	**0**	**0**
2020	0	0	11	6,423	0	0	0	0	**11**	**6,423**
1/1/2021-10/25/2021	0	0	2	399	4	12,080	44	5,691	**50**	**18,170**
Total	**0**	**0**	**13**	**6,822**	**5**	**13,280**	**44**	**5,691**	**62**	**25,793**
Source: Bank Data										

The following are notable examples of community development loans benefitting the bank's assessment area.

- In 2021, the bank originated two loans totaling $7.0 million to fund improvements and expansion of three library locations in York County. Two of the three locations were in low- or moderate-income census tracts. In conjunction with this financing, the borrower will receive grants from the Redevelopment Assistance Capital Program (RACP) that will be applied to the outstanding principal balance of each loan. RACP projects are primarily economic development projects, have a regional or multi-jurisdictional impact, and generate substantial increases or maintain current levels of employment, tax revenues, or other measures of economic activity. These loans promote economic development.

- In 2021, the bank originated one loan totaling approximately $4.2 million in conjunction with the SBA 504 Loan Program. The program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. Borrowers eligible for SBA 504 loans must meet at least one goal related to job creation, public policy, or community development through their expansion project. The loans are available through Certified Development Companies, SBA's community-based partners for providing 504 Loans. These loans promote economic development by financing businesses that meet the size standards of the SBA's Development Company programs.

- In 2020, the bank originated nine PPP loans totaling nearly $6.3 million to York County community development organizations dedicated to the support of low- and moderate- income communities. These loans provide community development services targeted to low- and moderate-income individuals.

- In 2021, the bank originated 44 PPP loans totaling $5.7 million to businesses located in low- or moderate-income census tracts. These loans revitalize or stabilize such tracts within the assessment area by supporting and maintaining businesses struggling during the COVID-19 pandemic.

Qualified Investments

During the evaluation period, Traditions Bank made 109 qualified investments totaling $1.4 million. This volume includes one prior period-qualified investment with an outstanding balance of
$518,323, two new qualified investments totaling $705,000, and 106 qualified grants and donations totaling $223,945. Qualified investments represent 0.3 percent of average assets ($574,031,000) and 1.9 percent of average securities ($75,208,000) since the prior evaluation. The bank's level of qualified investments is similar to the prior evaluation. At the prior evaluation, the bank had 38 qualified investments totaling $1.3 million. This qualified investment activity equaled 0.3 percent of average assets and 2.2 percent of average securities during that prior evaluation. The following table illustrates the bank's qualified investment activity by year and purpose.

Qualified Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	0	0	1	518	0	0	0	0	**1**	**518**
9/10/2018-12/31/2018	0	0	0	0	0	0	0	0	**0**	**0**
2019	0	0	0	0	0	0	0	0	**0**	**0**
2020	0	0	2	705	0	0	0	0	**2**	**705**
1/1/2021-10/25/2021	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**0**	**0**	**3**	**1,223**	**0**	**0**	**0**	**0**	**3**	**1,223**
Qualified Grants & Donations	10	15	92	203	4	6	0	0	**106**	**224**
Total	**10**	**15**	**95**	**1,426**	**4**	**6**	**0**	**0**	**109**	**1,447**

Source: Bank Data

Below are notable examples of the bank's qualified investments and donations benefitting the assessment area. All examples provide community development services targeted to low- and moderate-income individuals.

Outstanding Investments

- In June 2018, the bank invested $561,000 in a school district bond located within the assessment area where a majority of the students qualify for free- or reduced-price lunches. The current book value of the investment is $518,323.

New Investments

- In July 2020, the bank invested $705,000 in two school district bonds located in Allegheny County where a majority of the students qualify for free- or reduced-price lunches. Since Traditions Bank was responsive to community development needs and opportunities within its assessment area, examiners qualified the investments that benefitted the broader regional and statewide area.

- The bank made $150,500 in qualifying contributions through the Pennsylvania Department of Community and Economic Development's Educational Improvement Tax Credit (EITC) Program. The contributions provide funds to scholarship organizations, educational improvement organizations, and pre-kindergarten scholarship organizations that benefit local schools and assist low- and moderate-income youth with the cost of attending school. Recent beneficiaries included the following: Crispus Attucks Association, Logos Academy, and The Salvation Army of York.

- The bank also purchased four tax credits totaling $25,500 under the Neighborhood Assistance Program (NAP). The NAP, also administered by the Pennsylvania Department of Community and Economic Development, encourages businesses to invest in projects that improve distressed areas or support neighborhood conservation. Projects must fall under one of the following categories: affordable housing, community services, crime prevention, education, job training, or neighborhood assistance. There are five components to the NAP: the NAP tax credit, the Special Program Priorities, the Neighborhood Partnership Program, the Charitable Food Program, and the Enterprise Zone Program tax credit. Recent beneficiaries included the following: York County Food Bank, the

YWCA, and the York County Literacy Council.

- In 2018-2021, during the month of October, the bank celebrated the number of years (i.e., 19 in 2021) in the community with "Days of Giving." A different theme each week honored nonprofits with a $1,000 donation. For example, in 2021, the bank provided 19 donations; 5 donations totaling $5,000 devoted to workforce development, 5 donations totaling $5,000 devoted to early childhood development; 5 donations totaling $4,000 devoted to financial literacy; and 4 donations totaling $4,000 devoted to mentorship.

Community Development Services

During the evaluation period, Traditions Bank's staff provided 124 instances of financial expertise or technical assistance to 16 different community development-related organizations in the assessment area. The bank's level of community development services increased since the prior evaluation. During the prior evaluation period, the bank reported 42 instances of financial expertise or technical assistance. The following table illustrates the bank's community development services by year and purpose.

Community Development Services					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
9/10/2018-12/31/2018	0	0	0	0	**0**
2019	3	3	4	0	**10**
2020	2	21	5	0	**28**
1/1/2021-10/25/2021	31	55	0	0	**86**
Total	**36**	**79**	**9**	**0**	**124**
Source: Bank Data					

Below are notable examples of the bank's qualified service activities in the assessment area.

- A bank employee serves as a Board member of the Community Progress Council, a York County organization that provides comprehensive, integrated services that offer resources and support for low- and moderate-income individuals and families to move toward self- sufficiency. This involvement

provides community development services targeted to low- and moderate-income individuals.

- A bank employee serves as Treasurer of the Greater Hanover Housing Corporation, an organization that provides low-income housing for the elderly and handicapped in Hanover, PA. This involvement promotes affordable housing.

- A bank employee serves on the Finance Committee of Logos Academy, located in York County. This private faith-based school (K-12) reserves two-thirds of classroom seats for students who live below or near the federal poverty line. This involvement provides community development services targeted to low- and moderate-income individuals.

In addition to the community development service instances provided, the bank provides other services that benefit low- and moderate-income individuals and families throughout the assessment area. These special services include the following:

The bank offers the PowerUp checking account at all branches, a deposit product that can benefit low-and moderate-income individuals. This product has no monthly service fee, no minimum balance requirement, and has the ability to earn interest on any balance with depositors able to earn a higher annual percentage yield when meeting certain qualifications.

The bank also provides Interest on Lawyers Trust Accounts (IOLTA). The purpose of the IOLTA is to provide funding for civil legal services for people who cannot afford legal services, projects to improve the administration of justice, and education of laypersons in law-related areas. This program provides legal services, health care facilities, and youth centers targeted to low- and moderate-income individuals and families. The bank currently maintains 21 IOLTAs.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act.

Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
3) The geographic distribution of the bank's loans;
4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

1) The number and amount of community development loans;
2) The number and amount of qualified investments;
3) The extent to which the bank provides community development services; and
4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are

also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose institution:

(i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;
(2) Is related to the provision of financial services; and
(3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;
(2) A poverty rate of 20 percent or more; or
(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the

metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract 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 (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is

administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of
$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by

farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle- income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.