



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Farmers National Bank of Canfield
Charter No. 3654

20 South Broad Street
PO Box 555
Canfield, Ohio 44406

Comptroller of the Currency
Cleveland Field Office
3 Summit Park Drive, Suite 530
Independence, Ohio 44131

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Farmers National Bank of Canfield** prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of **January 30, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION

INSTITUTION’S CRA RATING: This institution is rated “**Satisfactory record of meeting community credit needs**”.

The prior Performance Evaluation dated November 1, 1994 resulted in a Satisfactory rating.

Major Factors Supporting the Institution’s Rating:

- A high loan-to-deposit ratio.
- A majority of loans are made within its assessment area.
- A low level of lending in moderate-income geographies in the assessment area.
- An adequate level of lending to low- and moderate income borrowers in the assessment area.
- Limited community development investments in the assessment area.
- Retail delivery systems that are readily accessible to all portions of the assessment area.
- A limited amount of community development service activity.

The following table indicates the performance level of **The Farmers National Bank of Canfield** with respect to the lending, investment, and service tests.

| The Farmers National Bank of Canfield | | | |
|----------------------------------------------|---------------|-----------------|--------------|
| Performance Tests | | | |
| Performance Levels | Lending Test* | Investment Test | Service Test |
| Outstanding | | | |
| High Satisfactory | | | |
| Low Satisfactory | X | X | X |
| Needs to Improve | | | |
| Substantial Noncompliance | | | |

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

The Farmers National Bank of Canfield (FNB) is headquartered in the city of Canfield, in northeastern Ohio. FNB operates ten office locations in Mahoning and Columbiana Counties. As of 9/30/97, it reported total assets of \$358 million and net income of \$3.5 million. FNB is a wholly-owned subsidiary of Farmers National Banc Corp. (FNBC). FNB is the sole subsidiary of FNBC. As of 9/30/97, FNBC had total assets of \$357 million and net income of \$3.5 million.

FNB is primarily a retail bank. Consumer lending represents the largest segment of the portfolio at \$119 million, or 43% of total loans. Residential purpose lending represents \$103 million, or 37% of total loans. Commercial purpose lending represents approximately \$48 million, or 17% of total loans. Obligations of state and political subdivisions total \$4.7 million, or approximately 2% of total loans. Farm related lending totals approximately \$3 million, or 1% of total loans. Based on our review of current and previous levels of performance, there are no legal impediments or other constraints on FNB's ability to help meet its community's credit needs.

Description of Assessment Area

FNB designated an assessment area which consists of a majority of MSA #9320, as well as the southeast Portage County in MSA 0080 and northeast Stark County in MSA #1320. We consider the size of this area too large, considering FNB's size and branch office locations. In our analysis of the bank's performance, we compressed this area to reflect a geographic area the bank could reasonably be expected to serve.

This area consists of the southwest portion of Trumbull County, Mahoning County (except the northeast corner), and the northern half of Columbiana County. There are 55 census tracts (geographies) in this assessment area. This entire MSA is located within the state of Ohio. The eastern edge of the MSA corresponds to the Ohio-Pennsylvania border. The median family income is \$30,605. Tables 1-3 on the following page show selected demographic data on population, housing, and unemployment which provide a picture of the Assessment Area and how it relates to the MSA as a whole.

Community contacts stated that the economy has made significant strides since the demise of the steel industry in the late 1970's and early 1980s. Unemployment, while still above state and national levels, has improved significantly. The area has had some success in diversifying its economy away from steel and heavy manufacturing. The Ohio Bureau of Employment Services data shows that the manufacturing sector represents approximately 20% of the local economy versus 50% in the late 1970s. The largest industry sectors today are health services, transportation equipment, wholesale trade/durable goods, fabricated metal products and primary metal products. Major employers include General Motors, Packard Electric, Youngstown State University, and local government. The unemployment rates shown below demonstrate an improving trend. Our contacts commented that local credit needs include small business and economic development, residential mortgages, and credit/financial educational activities.

Table 1
Population Demographics

| Category | MSA #9320 | Farmers NB AA | Farmers NB / MSA |
|---------------------|-----------|---------------|------------------|
| Total Population | 600,895 | 267,483 | 44% |
| Pop. in LI tracts | 32,949 | 0 | 0 |
| Pop. in ModI tracts | 84,709 | 18,088 | 21% |
| Pop. in MI tracts | 332,606 | 165,902 | 50% |
| Pop. in UI tracts | 150,631 | 83,493 | 55% |
| Pop. 65+ | 94,020 | 43,686 | 46% |

Source: 1990 Census Data, U.S. Bureau of the Census

Table 2
Housing Demographics

| Category | MSA #9320 | Farmers NB AA | Farmers NB / MSA |
|---------------------------|-----------|---------------|------------------|
| Housing Units | 242,843 | 106,428 | 44% |
| Owner Occ. Units | 165,988 | 76,612 | 46% |
| Rental Units | 66,969 | 26,486 | 40% |
| Manuf. Housing | 11,444 | 4,557 | 40% |
| Vacant Units | 14,516 | 5,740 | 40% |
| Median Monthly Gross Rent | \$328 | \$351 | 107% |
| Median Housing Value | \$49,023 | \$55,478 | 113% |

Source: 1990 Census Data, U.S. Bureau of the Census

Table 3
Employment Data

| MSA #9320 and Ohio Unemployment Rates | | | | | | |
|---------------------------------------|------|------|------|------|------|------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
| MSA | 7.3% | 9.7% | 8.4% | 7.9% | 6.3% | 6.4% |
| Ohio | 6.4% | 7.2% | 6.5% | 5.5% | 4.8% | 4.9% |
| USA | 6.8% | 7.5% | 6.9% | 6.1% | 5.6% | 5.4% |

Source: Ohio Bureau of Employment Services

Conclusions with Respect to Performance Tests

LENDING TEST

FNB's lending test is rated Low Satisfactory based on the following:

- A high loan-to-deposit ratio.
- The majority of lending activity is located within the assessment area.
- A low level of lending in moderate-income geographies in the assessment area.
- An adequate level of lending to low- and moderate income borrowers in the assessment area.
- Limited community development lending activity.

As table four below shows, FNB lends a much higher level of its deposits than do its peer banks. In this example, peer banks are those with total assets between \$300 million and \$500 million with at least three banking offices. As of September 30, 1997, there were 349 banks in the United States in this range. Throughout the review period FNB exceeded peer performance.

| Loan-to-Deposit Ratio December 31, 1995 through September 30, 1997 | | | |
|-----------------------------------------------------------------------|----------|----------|---------|
| | 12/31/95 | 12/31/96 | 9/30/97 |
| FNB | 87% | 94% | 92% |
| Peer | 73% | 75% | 76% |

Source: FDIC Call Report data

Geographic Distribution of Lending

As table five below shows, FNB originates a substantial majority of its loans to borrowers within the assessment area. Lending in the assessment is good across all product lines. Motor vehicle lending is lower than other credit products due to the dispersion of automobile dealerships throughout MSA 9320.

| Percentage of Loans Made Within the Assessment Area | | | | | |
|-----------------------------------------------------|------|----------------|-------------|---------------|---------------------------|
| | HMDA | Small Business | Home Equity | Motor Vehicle | Other secured & unsecured |
| 1996 | 83% | 89% | NA | NA | NA |
| 1997 | 83% | 88% | 90% | 64% | 82% |

Source: FFIEC 1996 HMDA LAR and 1997 Internal Bank Reports.

Home Mortgage Lending

FNB's assessment area contains no low-income geographies. Table six below shows the number and percentage of loans of each product type that were originated in each income level of geography. Overall, the bank's level of lending in moderate-income geographies is well below the composition of these tracts in the community. FNB made no home purchase loans in moderate-income geographies. Lending in middle-income geographies is generally commensurate with the composition of these tracts in the assessment area, while lending in upper-income geographies is well above the composition of such geographies.

| HMDA Mortgage Loan Originations January 1, 1996 to September 30, 1997 | | | | | | | |
|--------------------------------------------------------------------------|---------------|---------|-----------|----------|--------------|---------|-------------------------|
| Type of Geography | Home Purchase | | Refinance | | Home Improv. | | Percent of Tracts in AA |
| | # | \$ | # | \$ | # | \$ | |
| Moderate Income Tracts | 0 | \$0 | 6 | \$358 | 5 | \$27 | 9% |
| | 0% | 0% | 1% | 1% | 2% | 1% | |
| Middle Income Tracts | 109 | \$5,554 | 287 | \$14,562 | 137 | \$1,784 | 65% |
| | 55% | 43% | 64% | 57% | 62% | 57% | |
| Upper Income Tracts | 89 | \$7,328 | 155 | \$10,693 | 82 | \$1,293 | 25% |
| | 45% | 57% | 35% | 42% | 36% | 42% | |

| | | | | | | | |
|-------|------|------|------|------|------|------|------|
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
|-------|------|------|------|------|------|------|------|

Source: FFIEC 1996 HMDA LAR and Internal Bank Reports

Market Share

In market share analysis, it is important to note that the measure of performance is NOT the absolute position in the market (i.e. #1 is better than #2, and so on). The measure of performance is instead that the bank has the same or greater share of the low-income and moderate-income market than it does of the market as a whole. This standard ensures equitable performance in all the various segments of a bank's community without specifying categories or volumes of lending. In this analysis, market share is calculated using numbers of loans approved, not the dollar volume approved. For 1996, table seven below shows that FNB had a greater market share of middle-income and upper-income geographies than it had in moderate-income geographies.

| 1996 HMDA Market Share Performance | | | |
|------------------------------------|---------------|---------------|--------------|
| Type of Geography | Home Purchase | Home Improve. | Refinancings |
| Moderate Income | 0% | 2.86% | .38% |
| Middle Income | 2.83% | 6.15% | 5.93% |
| Upper Income | 2.76% | 6.91% | 5.76% |
| Total Market Share | 2.65% | 6.18% | 5.52% |

Source: FFIEC 1996 HMDA LAR

Retail Lending

Table eight on the following page shows retail purpose credit by product type. The data shows that FNB's level of lending in moderate-income geographies is below the composition of these tracts in the community for home equity and other secured/unsecured. Automotive lending, the largest retail component, is generally in line with the composition of these tracts. Lending in middle-income geographies is generally commensurate with the composition of these tracts in the assessment area, while lending in upper-income geographies is above the composition of such geographies.

Table Eight

| 1997 Retail Loan Originations | | | | | | | |
|-------------------------------|-------------|---------|------------|---------|---------------------------|----------|-------------------------|
| Type of Geography | Home Equity | | Automotive | | Other Secured & Unsecured | | Percent of Tracts in AA |
| | # | \$ | # | \$ | # | \$ | |
| Moderate Income Tracts | 2 | \$30 | 159 | 181 | 28 | \$1,728 | 9% |
| | 2% | 1% | 6% | 2% | 3% | 5% | |
| Middle Income Tracts | 80 | \$1,721 | 1,573 | \$4,213 | 573 | \$13,687 | 65% |
| | 69% | 62% | 54% | 57% | 59% | 42% | |
| Upper Income Tracts | 34 | \$1,013 | 1,171 | \$3,029 | 371 | \$17,487 | 25% |
| | 29% | 37% | 40% | 41% | 38% | 53% | |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Internal Bank Reports

Small Business Lending

Table nine below shows the percentage of small business loans by income level of geography. This information reflects the number of loans made during the review period in the community. FNB's geographic distribution of small business lending in moderate-income geographies is weak. Approximately one percent of small business loans were made in moderate-income geographies. However, several of these geographies are primarily rural, reducing the need and opportunity for business purpose credit in these areas.

| Geographic Distribution of Small Business Loans 1996 and 1997 | | | | | |
|------------------------------------------------------------------|-----|------|----------|------|---------------|
| Geographic Type | # | % | \$ | % | Percent in AA |
| Moderate Income | 3 | 1% | \$157 | 1% | 9% |
| Middle Income | 178 | 51% | \$5,199 | 33% | 65% |
| Upper Income | 168 | 48% | \$10,398 | 66% | 25% |
| Total | 504 | 100% | \$15,754 | 100% | 100% |

Borrower's Profile

The overall distribution of FNB's home mortgage, retail, and small business loans reflects adequate lending to low-income borrowers and good lending to moderate-income borrowers across all product lines. The level of lending to small businesses is good.

Home Mortgage Lending

Table ten below shows the number and dollar amount of HMDA loans made in 1996 and 1997 to borrowers of different income levels by product type. The data shows that FNB's home purchase lending to low-income persons in the AA is below the percentage of these individuals in the community, but refinance and home improvement are generally commensurate. (These two products also represent the largest segments of HMDA lending). The level of lending to moderate, middle, and upper-income persons is commensurate with the composition of such persons in the community. This data shows that FNB has much greater success in reaching low- and moderate-income borrowers than it does to low- and moderate-income geographies. This is likely due to the fact that several of the moderate-income geographies in the assessment area are rural and geographically dispersed, with several relatively distant from one another.

| Borrower Distribution of HMDA Loans by Product Type | | | | | | | |
|-----------------------------------------------------|---------------|---------|-----------|----------|------------------|---------|---------------------------|
| Income of Borrower | Home Purchase | | Refinance | | Home Improvement | | Percent of Families in AA |
| | # | \$ | # | \$ | # | \$ | |
| Low Income | 10 | \$445 | 35 | \$924 | 25 | \$213 | 15% |
| | 5% | 3% | 9% | 4% | 11% | 7% | |
| Moderate Income | 43 | \$1,869 | 82 | \$3,460 | 42 | \$443 | 18% |
| | 22% | 15% | 18% | 14% | 19% | 15% | |
| Middle Income | 45 | \$2,158 | 111 | \$5,294 | 53 | \$729 | 24% |
| | 23% | 17% | 25% | 21% | 24% | 23% | |
| Upper Income | 94 | \$7,892 | 214 | \$15,600 | 104 | \$1,719 | 43% |
| | 47% | 61% | 47% | 59% | 46% | 55% | |
| NA* | 6 | \$518 | 6 | \$335 | 0 | \$0 | NA |
| | 3% | 4% | 1% | 1% | 0% | 0% | |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: FFIEC 1996 HMDA and 1997 Internal Bank Reports

* Income information is unavailable

HMDA Market Share

Table 11 below shows that during 1996, FNB generally has a greater share of the low- and moderate-income borrower markets than it does of the middle and upper-income markets. This analysis uses the numbers of loans approved, not the dollar volume approved. This shows that FNB is more successful in reaching low- and moderate-income borrowers than it is in reaching the four moderate-income geographies in the assessment area.

| 1996 HMDA Market Share Performance | | | |
|------------------------------------|---------------|---------------|--------------|
| Type of Borrower | Home Purchase | Home Improve. | Refinancings |
| Low Income | 3.06% | 8.72% | 6.87% |
| Moderate Income | 3.27% | 4.73% | 5.31% |
| Middle Income | 2.13% | 5.51% | 4.74% |
| Upper Income | 2.68% | 6.92% | 5.97% |
| Total Mkt Share | 2.65% | 6.18% | 5.52% |

Source: FFIEC 1996 HMDA LAR

Retail Lending

Table 12 on the following page shows that the volume of home equity and automotive lending to low-income persons is less than the percentage of such persons in the assessment area. Other secured and unsecured lending to low-income persons is adequate. Lending levels to moderate-income persons is very commensurate to the percentage of such persons in the assessment area, particularly in automotive and other secured/unsecured products.

Table 12

| Borrower Distribution of 1997 Retail Loans by Product Type | | | | | | | |
|------------------------------------------------------------|------------|---------|------------|----------|---------------------------|---------|---------------------------|
| Income of Borrower | HomeEquity | | Automotive | | Other Secured & Unsecured | | Percent of Families in AA |
| | # | \$ | # | \$ | # | \$ | |
| Low Income | 2 | \$30 | 145 | \$1,149 | 88 | \$375 | 15% |
| | 2% | 1% | 5% | 4% | 9% | 5% | |
| Moderate Income | 9 | \$189 | 490 | \$4,584 | 155 | \$633 | 18% |
| | 8% | 7% | 17% | 14% | 16% | 9% | |
| Middle Income | 28 | \$484 | 718 | \$7,727 | 216 | \$1,504 | 24% |
| | 24% | 18% | 25% | 24% | 22% | 20% | |
| Upper Income | 75 | \$2,011 | 1,530 | \$19,218 | 475 | \$4,454 | 43% |
| | 65% | 73% | 53% | 58% | 49% | 60% | |
| Income Unavail. | 2 | \$50 | 20 | \$224 | 38 | \$457 | NA |
| | 1% | 1% | <1% | <1% | 4% | 6% | |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Internal Bank Reports

Small Business Lending

FNB is primarily a retail lender. It does not emphasize commercial purpose credit. During 1996 and 1997, FNB originated 349 small business loans in the assessment area. The 1996 CRA Disclosure and internal bank reports show that 99% of these loans were in amounts of \$1 million or less.

Community Development Lending

FNB is involved in both the Mahoning/Youngstown and Columbiana County mini-loan funds. These loan funds are consortia formed by a number of local lenders with local and county government funding also included. The loan funds are available to small business owners who generally fail to meet traditional bank underwriting guidelines. FNB has committed to lend up to

a total of \$300 thousand to the two funds. During the review period, FNB funded six loans totaling \$92 thousand.

Performance under the Investment Test

CONCLUSION: This area is rated Low Satisfactory.

This rating reflects a relatively low level of community development investment activity. This is somewhat mitigated by the general lack of community development investments available in the local community. Discussions with community groups and another area bank indicates that community development projects are generally funded through a combination of local, state, and federal grants, private foundations, or loans. Contacts stated that the local financial institutions' participation centered on providing home mortgage and small business credit to individuals participating in the various community organizations' programs.

FNB does not hold any securities which meet the definition of community development investments. Our discussions indicates that there have been no local community development investments originated during 1996 and 1997. FNB has provided grants to organizations which are active in providing community development services in the area. During the review period, the bank funded grants totaling \$22 thousand to organizations providing affordable housing and assistance to low- and moderate-income persons, or low- and moderate-income neighborhoods.

Performance under the Service Test

CONCLUSION: This area is rated Low Satisfactory.

The bank operates ten branch locations. Seven are located in middle-income geographies and three are located in upper-income geographies. The bank opened one branch since January 1, 1996. The branch is located in a middle-income geography. The bank purchased a site for an additional branch in December, 1996, also located in a middle-income geography.

The bank offers traditional retail and commercial banking products and services. Branch hours are generally 9:00 am to 6:00 pm M-F and 9:00 am to 12:00 pm on Saturday. There is no difference in the hours of operation or the availability of products and services among branch locations (except the Colonial Plaza office, which does not accept loan applications).

The bank offers proprietary ATM services at eight of its branch offices. In addition, ATM service is available at nonproprietary locations through the Cirrus and Mac networks. The bank does not offer any banking by computer, phone, at work, by mail, by appointment, or bilingual services. Occasionally, lending officers will meet with applicants at their residence to discuss credit applications or sign loan documents.

Community Development Services

FNB has a limited involvement in projects or activities that meet the definition of community development. During the review period the bank participated in 7 seminars sponsored by the Mahoning Economic Development Corporation and SCORE. The seminars addressed a variety of issues involved in starting a new business. FNB contributed \$500 towards the costs of the seminars.

Fair Lending Performance

We reviewed mortgage loan applications from five female applicants received during 1997 which were subsequently denied by FNB. We compared these denied applications to a sample of similarly situated male or married borrowers whose applications were approved. Our sample involved a sample of twenty-five applications. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.