



PUBLIC DISCLOSURE

May 17, 2021

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The Honesdale National Bank
Charter Number 644

733 Main Street
Honesdale, PA 18431

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303
Trevose, PA 19053

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The bank's quarterly loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of the bank's loans are inside its assessment areas (AAs).
- The bank exhibits a reasonable distribution of loans in its AAs.
- The bank's distribution of loans among borrowers of different income levels is reasonable.
- The bank demonstrates adequate responsiveness to the community development needs of its AAs through CD lending, qualified investments, and CD services.

Loan-to-Deposit Ratio

The Honesdale National Bank's (HNB) quarterly average loan-to-deposit ratio is reasonable considering the bank's size, financial condition, and credit needs of the AAs. HNB's quarterly average LTD ratio during the evaluation period was 87.83 percent. The LTD ratio ranged from a quarterly low of 80.09 percent to a quarterly high of 92.94 percent.

We compared the bank's LTD ratio to seven similarly situated banks in Wayne, Luzerne, and Lackawanna counties, with total assets ranging from \$354 million to \$1.85 billion. The average quarterly LTD ratio for these banks over the same period was 88.31 percent. The ratios ranged from a quarterly low of 69.22 percent to a quarterly high of 101.77 percent.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its assessment area (AA).

The bank originated and purchased 95.7 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. During this evaluation period, 95.7 percent of the number and 94.9 percent of the dollar amount of home mortgage loans were made within the bank's AA. This includes HMDA reported loans from January 1, 2018 through December 31, 2020. Refer to the table below.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	486	95.3	24	4.7	510	57,958	94.3	3,516	5.7	61,474
2019	466	95.9	20	4.1	486	59,874	95.7	2,686	4.3	62,560
2020	601	95.9	26	4.1	627	93,082	94.8	5,086	5.2	98,168
Total	1,553	95.7	70	4.3	1,623	210,914	94.9	11,288	5.1	222,201

Source: Bank Data

Due to rounding, totals may not equal 100.0%

Description of Institution

The Honesdale National Bank (HNB) is an intrastate community bank founded in 1836. Its main office and headquarters are located in Honesdale, Pennsylvania, which is in Wayne County. HNB is located in Northeast Pennsylvania approximately 50 miles from Wilkes-Barre, 100 miles from New York City, and 150 miles from Philadelphia. As of December 31, 2020, HNB had \$812 million in assets and tier one capital of \$109 million. HNB is a wholly owned subsidiary of the Honat Bancorp, Inc. which is a single bank holding company headquartered in Honesdale, PA.

HNB has 12 full-service branches all of which are located within its assessment area which consists of Wayne County, Lackawanna County, Pike County, Luzerne County, Wyoming County, and Susquehanna County. HNB's branch network is located primarily in Wayne, Pike, and Susquehanna counties. There is also a Mortgage Banking Center/Loan Production Office located in Wilkes Barre, PA in Luzerne County. All twelve offices have an automated teller machine (ATM) on-site, and eleven of the branches have drive thru services. Five branches offer a drive thru ATM, four branches have walk up ATM access, and four branches have deposit accepting ATMs. The Main Office branch has both a walk ATM and deposit accepting ATM. All branches offer extended hours on Friday and eleven of the branches offer Saturday morning hours. The bank opened a temporary branch in 2019 in Hallstead, PA. There were no branches closed, and there were no mergers or acquisitions during the evaluation period.

HNB offers a full line of retail banking, commercial banking and asset management (trust) services. Retail services include checking accounts, savings programs, money-market accounts, certificates of deposit, credit cards, consumer loans, and residential mortgages. Commercial services include business checking accounts, money-market accounts, savings accounts, certificates of deposit, commercial mortgages, small business administration (SBA) loans, lines & letters of credit, business credit cards, dealer floorplans, equipment leasing, and loans for equipment & capital improvements.

As of December 31, 2020, total gross loans were \$564 million, representing roughly 68 percent of total assets. Please refer to the chart below for the loan portfolio breakdown:

HNB Loan Portfolio Breakdown as of December 31, 2020		
Loan Category	\$ Amount (000s)	% of Gross Loans
Commercial Real Estate	228,258	40.48%
1-4 Residential Mortgages First Lien	156,214	27.70%
Commercial & Industrial	89,731	15.91%
Home Equity Lines of Credit	43,631	7.74%
Consumer	24,319	4.31%
1-4 Residential Mortgages Jr Lien	11,604	2.06%
Municipal Loans	5,342	0.95%
Nondepository/Other Loans	4,019	0.71%
Agricultural Loans	751	0.13%
Gross Loans	563,869	100.00%

Source: December 31, 2020 Call Report Schedule RC-C

There are no financial or legal impediments that impact HNB's ability to meet the credit needs to its communities.

HNB's last Public Evaluation (PE), dated April 2, 2018, was rated Satisfactory.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Honesdale National Bank (HNB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. HNB's primary loan product was home mortgage loans. HNB reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). Prior to this evaluation, reported HMDA data was tested and found to be reliable and this data was used to evaluate the bank's home mortgage performance. The Lending Test covers three evaluation periods, assessing the bank's performance from January 1, 2018 through December 31, 2020.

The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services. The period for the community development test is from April 3, 2018 through December 31, 2020. We reviewed documentation supplied by bank management to determine if the bank's CD loans, investments, and services meet the regulatory definition for community development. Further discussion of the bank's CD activities is included in the 'Community Development' section of this performance evaluation.

Selection of Areas for Full-Scope Review

HNB has three assessment areas located in northeastern Pennsylvania. The AAs are a part of Scranton/Wilkes-Barre/Hazleton MSA #42540 and consist of all of Lackawanna County, Luzerne County, and Wyoming County. The second AA is part of the Newark-Union NJ-PA MD #35084 and includes all of Pike County, PA. The third AA was a Non-MSA and consists of all of Wayne and Susquehanna County, PA. We performed a full-scope review of all three AAs. Refer to the table in appendix A for more information.

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A-1, Scope of Examination, for a list of full-and limited-scope AAs.

Ratings

The bank’s overall rating is based on the review of the three assessment areas. Based on the demographic context of the AAs, more weight was placed on moderate-income areas. Refer to Appendix A-1 for demographic information on the AA.

The state rating is based on performance in all bank AAs. Refer to the “Scope” section under the state section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Pennsylvania

CRA rating for the State of Pennsylvania¹: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of the bank's loans are inside its AAs.
- The bank exhibits a reasonable distribution of loans in its AAs.
- The bank's distribution of loans among borrowers of different income levels is reasonable.
- The bank demonstrates adequate responsiveness to the community development needs of its AAs through CD lending, qualified investments, and CD services.

Description of Institution's Operations in Pennsylvania

Honesdale National Bank (HNB) has 12 full-service branches all of which are located within its assessment area. The bank's assessment areas consist of whole census tracts and includes the geographies where they have their main office, branches, and deposit-taking ATMs as well as surrounding geographies where they have originated or purchased a substantial portion of their loans. HNB only maintains branches within the state of Pennsylvania, therefore, there is no difference in the description of the institution's operations at the overall and state level. Competition is average and includes local community banks and branches of larger regional and national banks. HNB's main competitors are PNC Bank, NA, First National Community Bank, Community Bank, NA, Peoples Security Bank and Trust, and Wells Fargo, NA.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

Wayne County and Susquehanna County AA

Table A – Demographic Information						
Metropolitan Statistical Area: Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	0.0	12.0	80.0	8.0	0.0
Population by Geography	95,011	0.0	10.8	80.6	8.6	0.0
Housing Units by Geography	54,844	0.0	9.4	82.1	8.5	0.0
Owner-Occupied Units by Geography	28,902	0.0	8.7	81.7	9.5	0.0
Occupied Rental Units by Geography	7,891	0.0	8.7	81.7	9.5	0.0
Vacant Units by Geography	18,051	0.0	14.4	74.9	10.7	0.0
Businesses by Geography	7,495	0.0	14.4	74.9	10.7	0.0
Farms by Geography	477	0.0	3.4	84.3	12.4	0.0
Family Distribution by Income Level	25,112	16.5	17.4	22.5	43.4	0.0
Household Distribution by Income Level	36,793	20.5	15.1	18.2	48.1	0.0
Median Family Income MSA - PA		\$56,172	Median Housing Value			\$167,903
			Median Gross Rent			\$776
			Families Below Poverty Level			8.4%
<i>Source: 2015 ACS Census and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

HNB's main office is located in the Non-MSA designated Assessment Area (AA) that includes all of Wayne and Susquehanna Counties. This assessment area contains 25 census tracts with a total population of 95,011. There are no low income tracts in this AA, but 12 percent of the census tracts are designated as moderate-income areas, 80 percent are middle-income areas, and 8 percent of the census tracts are upper-income areas. Within the assessment area, 10.8 percent of the population is located in moderate-income areas, 80.6 percent of the population is located in middle-income areas, and 8.6 percent of the population is located in upper-income areas.

The AA contains 54,844 housing units of which 28,902 are owner-occupied. The median housing value for the AA is \$167,903. A total of 82.1 percent of the housing units are located in middle-income areas, 9.4 percent in moderate-income areas and 8.5 percent are located in upper-income areas. A total of 7,891 occupied rental units reflect the same income levels as the owner-occupied units. Income levels in the AA among 36,793 households reflect a distribution of 20.5 percent in low-income, 15.1 percent in moderate-income, 18.2 percent in middle-income and 48.1 percent in upper-income levels. Median family income for this AA is \$56,172 with just 8.4 percent of families below poverty level.

Pike County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Pike County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	18	0.0	61.1	38.9	0.0	0.0
Population by Geography	56,632	0.0	53.2	46.8	0.0	0.0
Housing Units by Geography	38,513	0.0	53.2	46.8	0.0	0.0
Owner-Occupied Units by Geography	17,720	0.0	54.3	45.7	0.0	0.0
Occupied Rental Units by Geography	3,359	0.0	55.9	44.1	0.0	0.0
Vacant Units by Geography	17,434	0.0	54.6	45.4	0.0	0.0
Businesses by Geography	4,411	0.0	51.4	48.6	0.0	0.0
Farms by Geography	126	0.0	53.2	46.8	0.0	0.0
Family Distribution by Income Level	15207	30.5	24.0	23.3	22.2	0.0
Household Distribution by Income Level	21,079	30.1	20.7	20.4	28.8	0.0
Median Family Income MSA – 35084 Newark, NJ-PA		\$90,570	Median Housing Value			\$191,593
			Median Gross Rent			\$1,131
			Families Below Poverty Level			7.1%
<i>Source: 2015 ACS Census and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The bank's second assessment area is part of the Newark-Union NJ-PA-MD MSA #35084 and includes all of Pike County, PA. This assessment area contains 18 census tracts with a total population of 56,632. 61.1 percent of the census tracts are designated moderate-income areas and 38.9 percent are designated middle-income areas. Within this AA, 53.2 percent of the population are located in moderate-income areas and 46.8 percent of the population are located in middle-income areas. The AA contains 38,513 housing units of which 17,720 are owner-occupied. The median housing value for the AA is \$191,593. A total of 53.2 percent of the housing units are located in moderate-income areas and 46.8 percent are located in middle-income areas. There are 3,359 occupied rental units, with 55.9 percent located in moderate-income census tracts and 44.1 percent in middle-income tracts. Income levels in the AA among 21,079 households reflect a distribution of 30.1 percent in low-income, 20.7 percent in moderate-income, 20.4 percent in middle-income and 28.8 percent in upper-income levels. Median family income for this AA is \$90,570 with just 7.1 percent of families below poverty level.

Lackawanna County, Luzerne County, and Wyoming County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Scranton-Wilkes Barre						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	170	3.5	24.7	51.2	19.4	1.2
Population by Geography	561,701	3.2	20.5	52.2	23.6	0.5
Housing Units by Geography	258,752	3.1	20.3	54.5	21.8	0.4
Owner-Occupied Units by Geography	152,184	1.6	14.2	56.5	27.5	0.0
Occupied Rental Units by Geography	72,436	6.0	31.3	48.8	12.9	1.0
Vacant Units by Geography	34,162	3.0	24.1	57.4	14.9	0.6
Businesses by Geography	46,294	2.7	19.2	51.4	32.3	0.3
Farms by Geography	1,012	1.3	11.0	55.1	32.3	0.3
Family Distribution by Income Level	141,530	21.3	17.6	20.5	40.6	0.0
Household Distribution by Income Level	224,620	25.1	15.9	16.9	42.2	0.0
Median Family Income MSA – 42540 Scranton-Wilkes Barre, PA MSA		\$59,887	Median Housing Value			\$130,472
			Median Gross Rent			\$710
			Families Below Poverty Level			11.1%
<i>Source: 2015 ACS Census and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The third assessment area is part of the Scranton/Wilkes-Barre/Hazleton MSA #42540 and consists of all of Lackawanna County, Luzerne County, and Wyoming County. This assessment area contains 170 census tracts with a total population of 561,701. Approximately 3.5 percent of the census tracts are designated low-income areas, 24.7 percent are designated moderate-income areas, 51.2 percent of the census tracts are designated middle-income areas and 19.4 percent are designated upper-income areas. Within this AA, 52.2 percent of the population is located in middle-income areas, 23.6 percent of the population is located in upper-income areas, 20.5 percent of the population is located in moderate-income areas and 3.2 percent of the population is located in low-income areas.

The AA contains 258,752 housing units of which 152,184 are owner-occupied. The median housing value for the AA is \$130,472. A total of 54.5 percent of the housing units are located in middle-income areas, 27.5 percent in upper-income areas, 14.2 percent in moderate-income areas and 1.6 percent are located in low-income areas. Of the 72,436 occupied rental units, 6.9 percent are in low-income areas, 31.3 percent are in moderate-income areas, 48.8 percent are in middle-income areas and 12.9 percent are in upper-income areas. Income levels in the AA among 224,620 households reflect a distribution of 25.1 percent in low-income, 15.9 percent in moderate-income, 16.9 percent in middle-income and 42.2 percent in upper-income levels. Median family income for this AA is \$59,887 with 11.1 percent of families below poverty level.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PENNSYLVANIA

LENDING TEST

The bank's performance under the Lending Test in Pennsylvania is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the state of Pennsylvania is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the state.

Home Mortgage Loans

Refer to Table O in appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The bank's loan originations reflect reasonable distribution among geographies of different income levels throughout the bank's AAs. HNB's performance meets the standard for satisfactory performance. There were no conspicuous gaps identified within the bank's AA.

The distribution of residential loans to borrowers reflects reasonable dispersion based on Appendix D, Table O. During the evaluation period, HNB mortgage loans in moderate-income census tracts totaled 12.6 percent and exceeded 8.7 percent of owner-occupied housing units in the Non-MSA assessment area. In the Scranton-Wilkes Barre assessment area, mortgage loans in moderate-income census tracts totaled 11.8 percent and exceeded 14.2 percent of owner-occupied housing units. HNB mortgage loans in moderate-income census tracts totaled 57.3 percent and exceeded 54.3 percent of owner-occupied housing units.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The bank exhibits a reasonable distribution of loans to individuals of different income levels. Overall, the distribution of loans to borrowers of different incomes reflects reasonable penetration in the AA's. HNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

In our analysis, we considered the affordability of home ownership for low-income families. The weighted average median cost of housing is \$340,625. According to the FFIEC, the adjusted median family income in the AA is \$99,939. A low-income family earns less than \$49,970. Median rent for the AA is \$1,223 per month, offering a more affordable alternative to low-income families. This lack of housing affordability, and comparative affordability of rental units, limits the opportunity to originate home mortgage loans to low-income borrowers.

The bank's percentage of home mortgage loans made to low-income borrowers was less than the percentage of low-income families in the AA. However, when compared to the peer aggregate for low-income borrowers in the AA, the bank was in line with peer. Given the lack of opportunity to lend to low-income families, the bank's performance is reasonable.

The bank's percentage of home mortgage loans made to moderate-income borrowers was below the percentage of moderate-income families in the AA. When compared to the peer aggregate for moderate-income borrowers in the AA, the bank was in line with peer in the Scranton-Wilkes Barre assessment area and below in the Pike assessment area and Non-MSA assessment area.

Responses to Complaints

There have been no complaints related to the bank's CRA performance.

Community Contact

We interviewed one community contact within the assessment area and reviewed five inter-agency interviews with community organizations completed during the review cycle. The purpose was to determine the credit needs of the local community. The organizations interviewed were generally community development organizations that focused on providing small business loans and business development assistance throughout the assessment areas. Community contacts describe the local economy as one still recovering from of the COVID-19 pandemic and local shutdown orders of non-essential businesses. While availability to credit has not been a primary concern, businesses are experiencing labor shortages. Opportunities exist for local institutions to provide low-interest business loans and provide education to local business owners on the best uses of banking to sustain operations through the recovery. The community contact we interviewed noted that relationships with local institutes are positive. The community enjoys several smaller banks with strong personal relationships. The community contact specifically cited HNB as a bank that holds a strong perception in the local area.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the state of Pennsylvania is rated Satisfactory.

Based on a full-scope review, the bank exhibits adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. The bank exhibits adequate responsiveness to the needs of the community. Factors supporting this conclusion include the institution's adequate record regarding qualified CD loans, donations and services, and appropriate responsiveness to CD needs.

The bank demonstrated adequate responsiveness to its AA through CD loans. During the evaluation period, the bank committed 749 CD loans totaling \$50,840,750.

CD loans were predominately small business loans granted through the Paycheck Protect Program, as part of the CARES Act of 2020. PPP loans originated during the evaluation period totaled 702. PPP loans are qualified as CD loans since they support economic development through the retention of jobs that would otherwise be lost due to business closures as a result of the COVID-19 emergency.

The bank submitted 47 additional CD loans totaling \$7.5 million. These loans were small business loans originated during the evaluation period. The bank primarily originated the loans within the AA, however due to the responsiveness to the needs and opportunities within the AA, CD qualified loans made in the broader regional area were also considered. This performance exceeds the performance of the prior examination, in which HNB made 48 CD qualified loans totaling \$24.32 million.

Number and Amount of Community Development Loans

Refer to the Community Development Loan table below for the facts and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Wayne and Susquehanna Counties	387	52	29,114,622	58
Scranton/Wilkes-Barre/Hazleton MSA	274	37	16,260,716	32
Newark-Union NJ-PA MD	52	7	2,188,505	4
Outside	36	5	2,949,807	6

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Wayne - Susquehanna AA	55	209	27	2,541	27	54	2,541	53	0	\$0
Scranton/Wilkes-Barre/Hazelton MSA	4	81	17	2,209	17	34	2,209	46	1	\$26
Newark-Union NJ-PA MD	2	5	2	18	2	4	18	0		
Outside AA			4	47	4	8	47	1		

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

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The Qualified Investment Table, shown above, set forth the information and data used to evaluate the bank's level of qualified CD investments. This table includes all CD investments, including prior period investments that remain outstanding as of the examination date.

HNB demonstrated adequate responsiveness to the needs of its assessment areas through donations and qualified investments. The bank made two qualifying CD investments during the evaluation period, which totaled \$4.24 million. In addition, the bank made donations and contributions totaling \$573,543 to 48 qualified community development organizations.

All qualified investments were made within the assessment area. Both investments financed the building of multifamily affordable housing facilities within the AA. All units associated with these projects were eligible for Federal Low-Income Housing Tax Credits.

A majority of qualified donations were made to CD organizations within the assessment area. The community development organizations provide an array of services. Donations were primarily concentrated in educational improvement tax credits. Other qualified organizations provided services for seniors, local affordable housing programs, food pantries, medical assistance, and other community services which specifically target low-to-moderate income communities within the assessment area.

Extent to Which the Bank Provides Community Development Services

The Honesdale National Bank demonstrates excellent responsiveness to the service needs of its assessment areas through CD services.

During the evaluation period, four officers provided financial and technical expertise by serving on the Board of Directors of an economic development organization that focuses on small business development and attracting new businesses to the community. One officer served as President to an economic development organization, one officer provides technical expertise by serving as Treasurer to an organization that provided free legal services to low-to-moderate income individuals, and another

officer served as Treasurer to a local community service group. Another bank employee served as treasurer to an economic development organization.

Ten bank employees served on the Board of Directors to nine community development organizations. Organizational purposes varied but included the following: building homes for low-to-moderate income communities, work force development of low-to-moderate income individuals, providing resources for victims of domestic abuse, providing food and shelter for those in need and providing seminars for small businesses in the area. Another bank employee provided technical expertise by serving as the webmaster to a housing organization for families in need.

The bank provides point-of-sale terminals to benefit recipients with no surcharge fees. It also provides funds transfer services to a local housing organization.

The bank finances an interactive web-based financial literacy program directed to low-to-moderate income individuals. Each course provides modules that delivers educational information on affordable housing and details the steps of buying a home.

The bank serves as co-applicant to a program which provides flexible grants and programs with a goal to provide housing to those at risk for homelessness.

Bank employees served as volunteers to a local food kitchen as well as collected food and donations for a local food pantry. One bank employee led a Christmas gift drive, which distributed 200 gifts across the AA to children of families of need.

Members of the bank taught financial literacy to students across the assessment area as part of an educational series on the value of saving.

Appendix A: Scope of Examination

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

Time Period Reviewed:	01/01/18 to 12/31/20	
Bank Products Reviewed:	Home mortgage loans, community development loans, qualified investments, and community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	None	None
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Pennsylvania		
Honesdale AA	Full Scope	The Honesdale assessment area consists of Wayne County, Pike County, Lackawanna County, Luzerne County, Wyoming County, and Susquehanna County.

Appendix B: Community Profiles for Full-Scope Areas

THE HONESDALE NATIONAL BANK			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank Rating
The Honesdale National Bank	Satisfactory	Satisfactory	Satisfactory
State:			
Pennsylvania	Satisfactory	Satisfactory	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

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

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, other secured consumer loans, and other unsecured consumer loans.

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, which 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).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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

Small Loan(s) to Farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

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

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																		2018-20		
Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
Assessment Area:	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Scranton-Wilkes Barre AA	644	82,497	100.0	12,827	1.6	0.3	1.5	14.2	11.8	13.4	56.5	57.9	51.8	27.6	29.8	33.2	0.0	0.2	0.0	
Total	644	82,497	100.0	12,827	1.6	0.3	1.5	14.2	11.8	13.4	56.5	57.9	51.8	27.6	29.8	33.2	0.0	0.2	0.0	

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																		2018-20		
Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
Assessment Area:	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Pike AA	171	25,979	100.0	2,507	0.0	0.0	0.0	54.3	57.3	48.4	45.7	42.7	51.6	0.0	0.0	0.0	0.0	0.0	0.0	
Total	171	25,979	100.0	2,507	0.0	0.0	0.0	54.3	57.3	48.4	45.7	42.7	51.6	0.0	0.0	0.0	0.0	0.0	0.0	

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography **2018-20**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Non-MSA AA	738	102,438	100.0	2,520	0.0	0.0	0.0	8.7	12.6	8.5	81.7	78.6	82.9	9.5	8.8	8.6	0.0	0.0	0.0
Total	738	102,438	100.0	2,520	0.0	0.0	0.0	8.7	12.6	8.5	81.7	78.6	82.9	9.5	8.8	8.6	0.0	0.0	0.0

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower **2018-20**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Scranton-Wilkes Barre AA	644	82,497	100.0	12,827	21.3	7.6	9.1	17.6	14.9	19.2	20.5	23.0	22.2	40.6	39.3	34.5	0.0	15.2	15.1
Total	644	82,497	100.0	12,827	21.3	7.6	9.1	17.6	14.9	19.2	20.5	23.0	22.2	40.6	39.3	34.5	0.0	15.2	15.1

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																		2018-20		
	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
Assessment Area:	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Pike AA	171	25,979	100.0	2,507	30.5	15.8	14.7	24.0	18.1	23.1	23.3	22.8	20.6	22.2	39.2	25.2	0.0	4.1	16.3	
Total	171	25,979	100.0	2,507	30.5	15.8	14.7	24.0	18.1	23.1	23.3	22.8	20.6	22.2	39.2	25.2	0.0	4.1	16.3	

*Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																		2018-20		
	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
Assessment Area:	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Non-MSA AA	738	102,438	100.0	2,520	16.6	5.0	5.1	17.4	14.8	14.9	22.6	22.4	20.7	43.4	50.5	47.5	0.0	7.3	11.7	
Total	738	102,438	100.0	2,520	16.6	5.0	5.1	17.4	14.8	14.9	22.6	22.4	20.7	43.4	50.5	47.5	0.0	7.3	11.7	

*Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*