



PUBLIC DISCLOSURE

December 02, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers & Merchants Bank of Western Pennsylvania, National Association
Charter Number 5073

222 Market Street
Kittanning, PA 16201

Office of the Comptroller of the Currency

Corporate One Office Park, Bldg 2,
4075 Monroeville Blvd, Suite 300,
Monroeville, PA 15146-2529

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- Farmers & Merchants Bank of Western Pennsylvania's (F&M Bank) record of originating loans is more than reasonable as evidenced by its loan-to-deposit ratio compared with that of its custom peer group of banks.
- F&M Bank originated a majority of its residential real estate and small business loans inside its assessment area (AA).
- F&M Bank's record of originating residential real estate loans to borrowers of different income levels is reasonable.
- F&M Bank's record of originating small business loans reflects a reasonable penetration of borrowers of different income levels and to businesses of different sizes.
- F&M Bank's record of originating residential real estate and small business loans reflects a reasonable dispersion among AA geographies of different income levels.
- F&M Bank's community development (CD) performance demonstrates an adequate responsiveness to the CD needs of the AA through CD lending, investments and services.

Scope of Examination

We conducted a performance evaluation of F&M Bank for the purpose of evaluating its performance relative to the Community Reinvestment Act (CRA). The scope of the CRA performance evaluation included a review of F&M Bank's record of originating loan products and its record of meeting community credit needs through community development (CD) loans, investments and services.

F&M Bank's primary loan products consist of residential mortgage and small business loans. F&M Bank's record of originating residential mortgages and loans to small businesses was evaluated over the period between January 1, 2010 and December 31, 2011. Residential mortgage lending includes home purchase, home improvement and home mortgage refinance loans.

In order to evaluate F&M Bank's record of originating residential mortgage loans, we analyzed loan data collected and reported by F&M Bank in accordance with Home Mortgage Disclosure Act (HMDA) requirements. We performed data integrity examinations to ensure the reliability of the HMDA loan data.

We evaluated processes employed by F&M Bank to ensure the accurate and complete reporting of HMDA data. We tested the accuracy of F&M Bank's HMDA loan data by comparing a sample of reported loans with F&M Bank's loan file documentation. The data integrity examination revealed that F&M Bank's publicly available HMDA loan data could be relied upon for the purposes of this CRA evaluation.

In order to evaluate F&M Bank's record of originating small business loans, we collected and analyzed data from a random sample of loans to small businesses originated by F&M Bank during the evaluation period.

F&M Bank's record of CD performance was evaluated over the period between November 10, 2009 and December 2, 2013. The evaluation period relative to F&M Bank's CD performance represents the time period between the conclusion of the evaluation period for F&M Bank's last CRA performance evaluation and the start of its current CRA performance evaluation. CD-related activities included CD loans, investments and services.

Description of Institution

F&M Bank is an independently owned intrastate community bank. F&M Bank's headquarters and main office are located in Kittanning, Pennsylvania. F&M Bank is a wholly owned subsidiary of Farmers & Merchants Bancorp of Western Pennsylvania, Inc., which is also headquartered in Kittanning, Pennsylvania. The borough of Kittanning is located in Armstrong County in Western Pennsylvania. Armstrong County is located approximately 44 miles northeast of Pittsburgh, Pennsylvania. F&M Bank's assessment area also includes portions of Westmoreland and Butler Counties, which are contiguous to Armstrong County.

As of September 30, 2013, F&M Bank's assets totaled \$416.0 million, deposits totaled \$370.2 million and Tier One Capital totaled \$44.1 million. Net loans and leases totaled \$286.4 million, representing 68.8 percent of total assets. Assets included investments of \$100.5 million, real estate loans of \$207.2 million, commercial loans of \$77.3 million, and individual loans of \$6.5 million. Residential (1-4 family) mortgage loans, commercial mortgages and commercial and industrial loans represented 49.5 percent, 10.6 percent, and 20.7 percent, respectively of F&M Bank's loan portfolio. Since residential mortgages and loans to small businesses are the focus of the bank, and comprise the majority of F&M Bank's loan portfolio, they are considered to be F&M Bank's primary loan products. F&M Bank's strategy is to continue to originate residential mortgage and business loans in its market area.

F&M Bank's retail branch office network is entirely located within Armstrong County. F&M Bank operates nine full service retail branch offices. F&M Bank opened two new branches, in Freeport and Leechburg, during the evaluation period. F&M Bank did not close any branches during the evaluation period. F&M Bank operates automated teller

machines (ATMs) in conjunction with seven of these retail branches. F&M Bank has an additional ATM located within Armstrong County Memorial Hospital. The bank's two branches that do not have ATM's, the loan office in Kittanning, Pennsylvania and the Hilltop Plaza branch, are located in a moderate-income and middle-income geography, respectively. Though there is not an ATM at the loan office location, the loan office in Kittanning (located at 201 Market Street) is in the same city block as the bank's Main Office, which is located at 222 Market Street. The Main Office location does have an ATM.

There are no factors, legal or otherwise, that hinder F&M Bank's ability to help meet the credit needs of its AA. F&M Bank's most recent Performance Evaluation was dated November 9, 2009 for which a "Satisfactory" CRA rating was assigned.

Description of Assessment Area

F&M Bank has identified twenty-seven (27) whole contiguous census tracts (CTs) or geographies as its Assessment Area (AA). The bank has not added any new CTs to its AA since 2000. All of the AA CTs are located within three adjacent counties in Pennsylvania. Specifically, the AA includes all of Armstrong County, the eastern portion of Butler County, and the northern edge of Westmoreland County. The majority of CTs are located in Armstrong County, which contains 19 CTs. There are an additional 5 CTs located in Westmoreland County and 3 CTs located in Butler County.

The AA is comprised primarily of middle- and moderate- income CTs, which total seventeen (17) and ten (10), respectively. F&M Bank's AA contains no upper- or low-income CTs. F&M Bank's entire AA is located within the Pittsburgh Metropolitan Statistical Area (MSA). F&M Bank's AA was delineated by including whole geographies in which the bank has its branch locations, in addition to the surrounding geographies in which the bank originated a substantial portion of its loans. The AA complies with all regulatory requirements and does not arbitrarily exclude low- or moderate-income areas.

The following table outlines basic demographic data for F&M Bank's AA:

Demographic Information for Full Scope Area: F&M Bank 2010-2011						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	27	0.00	37.04	62.96	0.00	0.00
Population by Geography	104,254	0.00	34.06	65.94	0.00	0.00
Owner-Occupied Housing by Geography	32,635	0.00	31.34	68.66	0.00	0.00
Business by Geography	8,444	0.00	30.16	69.84	0.00	0.00
Farms by Geography	331	0.00	24.17	75.83	0.00	0.00
Family Distribution by Income Level	29,628	23.92	22.36	24.59	29.14	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,710	0.00	40.15	59.85	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		47,195 64,000 11%	Median Housing Value Unemployment Rates (2012 US Bureau of Labor Statistics) Pennsylvania Armstrong County Butler County Westmoreland County		71,265 6.6% 7.1% 5.5% 6.2%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated median family income data

For F&M Bank's AA, the 2000 census reports a total population of 104,254, total families of 29,628 and total households of 32,635.

Of 45,571 total AA housing units, 71.6% are owner occupied, 19.1% are rentals and 9.3% are vacant. Of AA owner-occupied housing, 31.3% is located within moderate-income CTs. The median housing value in F&M Bank's AA is \$71,265. Housing in Armstrong County consists primarily of older homes built before 1939, which make up 35.6% of the housing inventory.

United States Department of Housing and Urban Development (HUD) data, updated for 2011, reports the MSA median family income to be \$64,000. Of AA families, 23.9%, 22.4%, 24.6% and 29.1% are classified as low-, moderate-, middle- and upper-income respectively. In Armstrong County, 12% of the population subsists below the poverty level. These AA demographic factors impact housing affordability and corresponding residential mortgage loan demand from low- and moderate-income AA residents.

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Economic conditions within the AA are deteriorating. Industries, such as mining and manufacturing, that have traditionally provided jobs to Armstrong County residents are experiencing significant job losses. According to the 2011 business demographic data, 5,805 businesses operate within F&M Bank's AA, of which 198 are farms. Area industry is centered in services (38.00%) and retail trade (11.52%).

Major employers within F&M Bank's AA include Armstrong County Memorial Hospital, Armstrong School District and the Rosebud Mining Company. Employment within the F&M Bank's AA is diversified. However, Armstrong County residents increasingly must travel outside of the county to find work. In 1990, 61% of the county's working residents worked in Armstrong County. By 2000, this percentage had dropped to less than 45%. Unemployment rates reported as of November 2013 by the Bureau of Labor Statistics, for Armstrong, Butler and Westmoreland Counties were 7.1%, 5.5% and 6.2% respectively. These rates generally represent lower levels of unemployment than the state average of 6.8% and the national average of 6.6%.

Area banking competition is strong. F&M Bank's AA houses branches of larger financial institutions, savings institutions and community banks. PNC Bank, Citizen's Bank of Pennsylvania and First National Bank of Pennsylvania have a 23.4%, 11.7% and 10.3% deposit share in the AA, respectively. In addition, mortgage competition is great. Wells Fargo, JP Morgan Chase and F&M Bank have an 8.0%, 7.5% and 6.4% market share, respectively, in the 1-4 family residential mortgage market. Discussion with management confirmed that within the AA, credit needs continue to be concentrated primarily in residential mortgage and small business lending.

As part of the evaluation, contact was made with a representative from a community-based non-profit housing organization. The contact noted that F&M Bank is the only bank in the community that has willingly taken the lead to help with the affordable housing and housing rehabilitation needs in Armstrong County. However, it should be noted that the contact's organization and F&M Bank have a close relationship stemming from bank officers serving on the organization's board of directors. The non-profit housing corporation sees the need for not only new construction for low- and moderate-income (LMI) households, but rehabilitation of existing properties for these households and those with special access needs.

Conclusions with Respect to Performance Tests

The conclusion on F&M Bank's performance is based primarily on its performance in the Armstrong County Area AA. The Armstrong County Area AA is the AA in which F&M Bank has historically operated and has a significant presence. F&M Bank operates its full service retail branches in the AA. It derives the majority of deposits in the AA and F&M Bank originates a majority of its loans inside of the AA.

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In arriving at the lending test conclusions, equal weight was placed on F&M Bank's record of originating residential mortgage loans and small business loans since both residential lending and small business lending represents a primary focus of the bank and the more significant portion of its lending.

LENDING TEST

Loan-to-Deposit Ratio

F&M Bank's loan-to-deposit (LTD) ratio, as compared to the average LTD ratio exhibited by peer banks over the same period, is more than reasonable.

F&M Bank's quarterly average LTD ratio is more than reasonable compared to similarly situated financial institutions operating in the same market, within the context of competitive factors present. F&M Bank's average quarterly LTD ratio for the evaluation period is 80.2 percent. This ratio is above the quarterly average LTD ratio for similarly situated financial institutions at 72.6 percent. Similarly situated financial institutions included Pennsylvania banks with assets between \$373 million and \$530 million, operating within the same counties as F&M Bank.

Lending activity over the evaluation period was measured by comparing the sixteen-quarter average loan-to-deposit ratios reported by F&M Bank and its local peer group. The sixteen-quarter average LTD was calculated using financial data reported since the previous evaluation. Specifically, the calculation included quarter end financial data reported for each of the sixteen quarters from the fourth quarter of 2009 through the third quarter of 2013.

Lending in Assessment Area

F&M Bank originated a majority of its residential mortgage loans and small business loans inside its AA.

In order to evaluate F&M Bank's lending in its AA over the evaluation period, we measured and analyzed F&M Bank's record of originating loans inside compared to loan originations outside of its AA. Specifically, we compared the volume of residential and loans to small businesses originated within its AA to the volume of loans outside of its AA. These loans constitute F&M Bank's primary loan products.

We measured and analyzed residential real estate and small business loans originated by F&M Bank during 2010 and 2011. F&M Bank's residential real estate loan originations included loans for purposes of home purchase, home improvement and home refinance. We also analyzed loans to small businesses by collecting data from a random sample of small business loans originated by F&M Bank during the same evaluation period.

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The analysis of F&M Bank's residential real estate loans originated during the evaluation period shows that 629 HMDA-reportable loans were originated, for a total of \$67.3 million. Three hundred fifty-two (56.0 percent of the total number) of those residential mortgage loans were originated in the AA, resulting in a total volume of lending in the AA of \$32.2 million (47.8 percent of the dollar volume of residential mortgage loans). There were two hundred seventy-seven (44.0 percent of the total number) residential real estate loans originated outside the AA, for a total volume of \$35.1 million (52.2 percent of the dollar volume) of residential mortgage loans. An analysis of 109 loans to small businesses from the same time period revealed that seventy-five (68.8 percent) of the sample of small business loans were originated within the AA.

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

F&M Bank's record of originating loans to borrowers reflects a reasonable penetration among AA borrowers of different income levels, and businesses of different sizes. F&M Bank's record of originating residential real estate loans to borrowers of different income levels is reasonable.

Data collected and reported by F&M Bank in accordance with HMDA requirements was analyzed. The analysis was performed to assess F&M Bank's record of distributing its residential real estate loan originations among AA borrowers of different income levels.

Demographic data compiled during the 2000 census for F&M Bank's AA, reports income levels of AA families as follows:

- 23.9 percent of AA families are low-income families
- 22.4 percent of AA families are moderate-income families
- 24.6 percent of AA families are middle-income families
- 29.1 percent of AA families are upper-income families

Low income AA families by definition are families with annual incomes below \$32,000. Moderate income AA families by definition are families with annual incomes between \$32,000 and \$51,200.

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

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Table 1 – F&M Bank AA Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans	% of AA Families	% of Bank Loans
Home Purchase	23.92%	12.08%	22.36%	24.16%	24.59%	34.23%	29.14%	29.53%
Home Improvement	23.92%	6.49%	22.36%	29.87%	24.59%	29.87%	29.14%	33.77%
Home Mortgage Refinance	23.92%	8.40%	22.36%	28.57%	24.59%	31.09%	29.14%	31.93%

Source: Data reported under HMDA; 2000 U.S. Census data.

The percentage of home purchase loans originated to low-income families is lower than the percent of low-income families in the AA. The percentage of home improvement and home mortgage refinance loans to low-income families is lower than the percentage of low-income families in the AA. Several factors contribute to the low level of penetration to low-income families in the AA. Eleven percent (11%) of the households in this AA live below the poverty level, which accounts for 66.1% of the total of low-income households. These low-income families may not meet the credit criteria for home mortgage loans, and thus, would not require or need home improvement loans or refinancing options. Also, 19% of the housing units in the AA are rental units with only 9.3% percent of the rental units being vacant. This provides more competition among landlords resulting in lower rental costs for tenants, which could possibly reduce the desire for home ownership among low-income families.

The percentage of home purchase loans to moderate-income families exceeds the percentage of moderate-income families in the AA; the percentage of home improvement loans exceeds the percentage of moderate-income families in the AA; and the percentage of home-mortgage refinance loans exceeds the percentage of moderate-income families in the AA.

Small Business Lending

The bank's record of originating loans to small businesses of different income levels is reasonable.

F&M Bank has demonstrated a reasonable penetration in its lending to AA small businesses. Data collected from F&M Bank's small business loans originated in the AA was analyzed. The analysis was performed to assess F&M Bank's record of distributing its small business loan originations in the AA to businesses of different sizes.

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Specifically, we analyzed data from loans originated to 109 small businesses. Thirty-four of the businesses in the sample came from outside the AA. Based upon our sample, seventy-five (68.8 percent) of the bank's lending relationships were with businesses within the AA. Overall, the bank made 242 loans to businesses in the performance evaluation period.

Business demographic data compiled from the AA 2011 business demographic data shows the following revenue results:

- 63.8 percent report annual revenues < or = \$1 million
- 2.6 percent report annual revenues > than \$1 million
- 33.6 percent did not report annual revenues

Small business loans are defined as those loans made to business enterprises whose annual gross revenues are \$1 million or less. Within the AA, 63.8 percent of businesses are classified as small businesses. Comparatively, 177 of the 242 (73.1 percent) businesses in our review had annual revenues equal to or less than \$1 million.

The vast majority of business purpose loans originated by F&M Bank to AA businesses represent the smaller dollar amounts needed by small AA businesses. For example, of analyzed business purpose loans originated within the AA, 60.7 percent were originated for dollar amounts of \$100,000 or less.

Geographic Distribution of Loans

F&M Bank's record of originating residential mortgage and small business loans reflects a reasonable dispersion among AA geographies of different income levels.

Residential Real Estate Lending

F&M Bank has demonstrated a reasonable dispersion in its origination of residential real estate loans to geographies of different levels within the AA.

Data collected and reported by F&M Bank in accordance with HMDA requirements was analyzed. The analysis was performed to assess F&M Bank's record of distributing its residential real estate loan originations among AA geographies of different income levels.

Demographic data compiled during the 2000 U.S. census for F&M Bank's AA indicates that owner-occupied AA housing is geographically disbursed as follows:

- 31.3 percent are located in moderate-income geographies.
- 68.7 percent are located in middle-income geographies.

There are no low-income and no upper-income geographies in the AA and less than 32 percent of owner-occupied housing is in moderate-income geographies. The vast majority of owner-occupied housing (68.7 percent) is located in middle-income geographies.

The following table details the distribution of residential real estate loans originated by F&M Bank during the evaluation period in its AA geographies of different income levels.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Bank Loans	% of AA Owner Occupied Housing	% of Bank Loans	% of AA Owner Occupied Housing	% of Bank Loans	% of AA Owner Occupied Housing	% of Bank Loans
Home Purchase	0.00%	0.00%	31.34%	35.76%	68.66%	64.24%	0.00%	0.00%
Home Improvement	0.00%	0.00%	31.34%	32.47%	68.66%	67.53%	0.00%	0.00%
Home Refinance	0.00%	0.00%	31.34%	34.15%	68.66%	65.85%	0.00%	0.00%

Source: Data reported under HMDA; 2000 U.S. Census data.

F&M Bank’s record of originating home purchase, home improvement loans and home mortgage refinance loans within moderate-income AA geographies exceeds the ratio of owner-occupied housing available within moderate-income AA geographies.

Small Business Lending

The bank’s record of originating loans to small businesses among geographies of different income levels within the AA reflects a reasonable dispersion.

Data collected from F&M Bank’s small business loans originated in F&M Bank’s AA was analyzed. The analysis was performed to assess F&M Bank’s record of distributing its small business loan originations among AA geographies of different income levels. Specifically, we analyzed the bank’s lending relationship with 75 small businesses.

Demographic data compiled during the 2000 U.S. census for F&M Bank’s AA indicates that businesses are geographically dispersed as follows:

- 41.7 percent are located in moderate-income geographies.
- 58.3 percent are located in middle-income geographies.

F&M Bank’s record shows that 38.7 percent of small business purpose loans originated over the evaluation period were originated within moderate-income AA geographies. Comparatively, of AA businesses, 41.7 percent are located within moderate-income AA geographies.

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F&M Bank's record of originating small business loans in the bank's AA moderate-income geographies is reasonable to the percentage of originations for businesses located within moderate-income AA geographies. As described previously, the AA has no low-income geographies.

Responses to Complaints

No complaints have been received since the previous performance evaluation.

COMMUNITY DEVELOPMENT TEST

F&M Bank's community development performance represents adequate responsiveness to the CD needs of its AA.

Number and Amount of Community Development Loans

Competition from both large regional and other community financial institutions for originating CD loans is moderate. Local non-profit organizations increasingly use tax credit, bond issues and grant money to finance larger CD projects, decreasing the need for CD financing by banks. However, F&M Bank foresaw opportunities in the community to originate CD loans.

F&M Bank, over the evaluation period, originated five CD loans totaling \$4,262,920 within the AA. The CD loans were responsive to identified AA community needs and help fulfill a wide range of community needs. The CD loans originated by F&M Bank that would not otherwise be identified as a small business loan are described below.

- During the evaluation period, F&M Bank originated a \$2.5 million loan to a housing agency that provides affordable homeownership and rental apartment options for senior adults, low- and moderate-income families, and people with special housing needs within the bank's AA and across the state of Pennsylvania.
- F&M Bank originated a \$1.3 million loan to a center that provides residential and assisted living communities for senior citizens, as well as a comprehensive array of health and wellness services. The services are free of charge for Medicare or Medicaid individuals. In 2011, 63% and 7% of the organization's service revenue was derived from clients receiving medical assistance or utilizing Medicare Part A.
- A \$100,000 line of credit was renewed for a local transportation authority to provide working capital until grant monies were distributed. The authority assists with meeting the transit needs for LMI individuals in Armstrong County by providing fixed route and shared ride services. For the fiscal year ending June 13, 2013, 58% of riders received free or reduced fares.

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- F&M Bank originated a \$100,000 loan to a local non-profit organization that provides temporary housing and services to women who are victims of domestic violence and sexual assault. The services are free of charge and primarily benefit women who flee their homes.

F&M Bank's CD loans originated within the AA total \$4.3 million, and represent 9.6 percent of tier one capital of \$44.1 million, as of September 30, 2013.

Number and Amount of Qualified Investments

F&M Bank funded two investments within its AA, totaling \$2.3 million, during this review period.

- The bank directly provided \$2.1 million to build an affordable housing project in Kittanning, Armstrong County, specifically designated for senior citizens.
- The bank provided approximately \$100,000 through a participation agreement with a Small Business Investment Company to a small business. The commitment provided capital financing for a regional rehabilitation and health service provider that qualifies as a small business.

Over the evaluation period within its AA, F&M Bank funded ten (10) CD donations totaling \$13,032. Donations supported two organizations that restore and provide affordable housing and provide for a wide-range of community services for LMI individuals.

Extent to which the Bank Provides Community Development Services

The bank has an excellent responsiveness to the CD services needs of the AA. F&M Bank participated in various CD services, which included 161 board and committee meetings related to the financial needs of the organizations supported CD, and at least 76 hours of other financial-related committee work. CD services in which F&M Bank representatives participated are described below.

- F&M Bank's President and CEO serves as Board Member, Treasurer and Finance Committee Chairman for the Armstrong County Industrial Authority. The President and CEO holds the same positions for the Armstrong County Industrial Development Council and also serves a member of the Business Finance Assistance Program Lending Committee for the Southwestern Pennsylvania Commission.
- F&M Bank's SVP/COO serves a member of the Downtown Kittanning Revitalization Committee and assists in executing its fundraising plans. F&M Bank's BSA Specialist serves as a Board Member and Treasurer of Downtown Kittanning, Inc.

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- A F&M Bank Business Development Officer serves as a volunteer counselor on budgeting and finances for LMI persons at the St. Vincent De Paul Society and also serves as a Board Member of Kiski Valley Enterprises, which provides low cost, start-up and expansion loans for manufacturing businesses in the bank's AA.
- F&M Bank staff members are active with the Habitat for Humanity of Armstrong County. The bank's SVP/COO is the chapter's President and a Board Member. The CRA Assistant/Compliance Officer and Human Resources Assistant each also serve as Board Members at the Habitat for Humanity. A Business Development Officer serves as a fundraising/lending consultant. The Executive Secretary serves on the Fundraising Committee. A Customer Service/Marketing staff member advises with advertising and graphic design, which helps with attracting fundraising money.
- Three F&M Bank staff members conducted an Online Banking workshop sponsored by the Kittanning Public Library. Also at the library, six F&M Bank staff members volunteer at a Savings and Debt Reduction program.

Responsiveness to Community Development Needs

F&M Bank participated in various CD loans, investments and services, which adequately responded to its AA needs.

F&M Bank's retail branch office network is located within Armstrong County and all of the bank's retail branches are located within that county. F&M Bank operates nine full service retail branch offices. There are two (2) branches in moderate-income CTs which include the Main office and the Loan office in Kittanning, PA. There are no low-income CTs within the AA nor in Armstrong County.

F&M Bank opened two new branches, in Freeport and Leechburg, during the evaluation period. These two branches are located in middle-income CTs. F&M Bank did not close any branches during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

