



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

March 25, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Neffs National Bank
Charter Number 12471

5629 Pennsylvania Route 873
Neffs, PA 18065

Office of the Comptroller of the Currency

1150 Northbrook Drive
Suite 303
Trevese, 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: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The Neffs National Bank's (NNB or bank) quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's lending is inside its AA by numbers of loans originated and purchased.
- The bank's geographic distribution of loans in the AA reflects a reasonable dispersion among individuals of different income levels.
- The bank's distribution of loans represents a reasonable dispersion throughout census tracts of different income levels given the demographics of the AA during the review period.
- The bank's community development activities demonstrate adequate responsiveness to the Community Development needs of its AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the CD needs of its AA(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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 MA/AA.

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. 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 it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

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 (MSA): 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 MSA 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.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Rated Area: A rated area is a state or multi-state MA. 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 MA, the institution will receive a rating for the multi-state MA.

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 noncumulative 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.

Description of Institution

The Neffs National Bank is a \$370.4 million intrastate community bank founded in 1923, with its main office and headquarters in Neffs, Pennsylvania. NNB is located in Lehigh County in eastern Pennsylvania, northwest of the Allentown metropolitan area. NNB is a wholly owned subsidiary of Neffs Bancorp, Inc. This holding company has no other subsidiaries or affiliates.

The bank operates a full service office from its one location. The bank also has two deposit taking ATMs and five drive-up facilities. During the evaluation period, NNB did not engage in any mergers or acquisitions, nor has NNB opened or closed any branch offices. The bank's website offers information on branch hours of service and bank products. The bank offers traditional products and services such as checking accounts, savings accounts, certificates of deposit, and consumer and commercial loans. The bank also offers a 24-hour telephone banking system for transaction verifications and transfers between accounts, as well as internet and mobile banking with Bill Pay. Additionally, the bank offers retail, non-deposit investment services through Paragon Financial Advisors. The bank ranks 4th among depository institutions in the rating area. Their major competitors include Wells Fargo Bank, Branch Banking and Trust Company, and New Tripoli Bank.

As of December 31, 2018, NNB had \$370 million in total assets. Net loans and leases totaled \$179 million or 49 percent of average assets and total deposits were \$295 million. Tier one capital was \$66 million. Table 1 provides a breakdown of loan portfolio.

Table 1: Loan Portfolio Summary by Loan Product December 31, 2018		
Loan Category	\$ Amount (millions)	% of Outstanding Loans
Residential Real Estate	87,361	48.68%
Non-Farm/Non-Residential	62,609	34.89%
Commercial & Industrial	5,776	3.22%
Consumer Loans	7,235	4.03%
Agriculture & Farmland Loans	1,569	0.87%
Multifamily Loans	2,284	1.27%
Other Loans	12,616	7.03%
TOTAL	179,450	100.00%

Source: December 31, 2018 Call Report

There are no financial or legal impediments to hinder the bank's ability to help meet the credit needs of the communities it serves. The bank received a "Satisfactory" rating on its prior CRA Performance Evaluation dated December 21, 2015.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated NNB under the Intermediate Small Bank (ISB) examination procedures, which includes a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through qualified lending, investments and donations, and services.

The evaluation period under the Lending Test is representative of the bank's lending strategy since the last CRA examination. The Lending Test covers two evaluation periods. For the period from January 1, 2016 through December 31, 2016, the data from the 2010 U.S. Census was used in our analysis. For the period from January 1, 2017 through December 31, 2018, the Office of Management and Budget changed the 2010 U.S. Census data and updated with the 2015 ACS Census data. The changes resulted in differences to the MSA/MD, census tract, and income designations.

The evaluation period for the Community Development Test covers the period from January 1, 2016 through December 31, 2018. We reviewed documentation supplied to us by bank management in order 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.

Data integrity

NNB's primary lending product was home mortgage loans. NNB reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). Prior to this evaluation, we completed a data integrity review of information collected by management for mortgage loans for years 2016 and 2017. The results of this testing indicated the data was reasonably accurate and could be relied upon. Therefore, we utilized the HMDA data for this evaluation. To evaluate the bank's performance under the lending test for mortgages in 2018, we collected data from a random sample of mortgage loans originated in 2018 by the bank. The results of this testing indicated that data was accurate and we used the HMDA data for this evaluation. Community Development (CD) loans, investments, and services submitted by management were verified to ensure that they met the regulatory definition for community development.

Selection of Areas for Full-Scope Review

NNB has a single AA located in Eastern Pennsylvania. NNB has defined Lehigh Valley, Carbon and Northampton counties as its AA. These counties are located in the east region of Pennsylvania, anchored by the cities of Allentown, Bethlehem, and Easton. Lehigh County is part of the Allentown-Bethlehem-Easton, PA- NJ Metropolitan Division (MD) # 10900. The bank's assessment area consists of 34 census tracts. There are no low-income census tracts and two are moderate-income census tracts. The AA meets the requirements of the regulation

and does not arbitrarily exclude any low- or moderate-income areas. We performed a full-scope review of the AA. Refer to the table in Appendix A for more information.

Ratings

The bank's overall rating is based on the review of the bank's full scope AA. The AA contains no low income geographies and a small percentage of moderate income geographies. The vast majority of the bank's loans, deposits, and branch are located within the AA. Given the demographic makeup of the AA, more weight is placed on performance in moderate-income geographies.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §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 assessment area 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 Consumer Financial Protection Bureau, 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.

Conclusions with Respect to Performance Tests

NNB's performance under the Lending Test is satisfactory.

LENDING TEST

Loan-to-Deposit Ratio

NNB's average loan-to-deposit ratio (LTD) is reasonable. The bank's quarterly average LTD ratio during the evaluation period was 61.80 percent and ranged from a low of 60.00 percent on December 31, 2018 and a high of 65.53 percent on March 31, 2016. We compared the bank's LTD ratio to five similarly situated banks in Lehigh, Carbon, and Northampton counties, ranging in total asset sizes from \$395 million to \$704 million. The quarterly average LTD of these banks over the same period was 81.66 percent. The ratios ranged from a quarterly low of 56.43 percent to a quarterly high of 103.17 percent during that period. While the bank's quarterly average net loan-to-deposit ratio is lower than the peer group, it is reasonable when taking into consideration the bank's lending market share, bank's size, and the competition for loans.

Lending in Assessment Area

A substantial majority of the bank's home mortgage loans was made within the bank's assessment area. This meets the standard for satisfactory performance. During this evaluation period, 74.3 percent of the number and 67.8 percent of the dollar amount of home mortgage loans were made within the bank's AA. This includes HMDA reported loans from 1/1/2016 to 12/21/2018. Refer to Table D, below.

Table D - 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										
2016	58	73.4	21	26.6	79	10,188	74.5	3,492	25.5	13,680
2017	45	77.6	13	22.4	58	5,286	52.1	4,857	47.9	10,143
2018	62	72.9	23	27.1	85	9,912	72.8	3,711	27.2	13,623
Subtotal	165	74.3	57	25.7	222	25,386	67.8	12,060	32.2	37,446
Total	165	74.3	57	25.7	222	25,386	67.8	12,060	32.2	37,446

Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data
Due to rounding, totals may not equal 100.0

Geographic Distribution of loans

The overall geographic distribution of loans reflects reasonable dispersion throughout geographies of different income levels.

Home Mortgage Loans

Based on the data in Appendix C, Table O, and the following performance context considerations, the geographic distribution of the bank's home mortgage loan originations and purchases reflects reasonable dispersion.

For 2016, the bank did not make any home mortgage loans in low-income geographies. Given there were no owner occupied housing units in low-income geographies, this performance is reasonable. The percentage of home mortgage loans made in moderate-income geographies was near both the aggregate peer group distribution and the percentage of owner-occupied housing units in moderate-income geographies in the AA. This performance is adequate.

For the 2017 and 2018, the bank did not originate any loans to low-income geographies. Given there were no owner occupied housing units in low-income geographies, this performance is reasonable. However the percentage of mortgage loans made in moderate geographies was 0.9 percent. Opportunities for home loans in the AA are limited. Based on the 2015 Census, only 3.6 percent or 14,099 owner occupied units are located in moderate-income geographies. The small number of owner occupied units limits opportunities to lend in these geographies. In addition, there are only 477 businesses in the market, which further limits the bank's opportunity to lend. The geographic distribution of loans in the AA reflects reasonable dispersion.

Lending to Borrowers of Different Incomes

The overall borrower distribution of loans by income levels reflects reasonable penetration of mortgages to borrowers of different income.

Home Mortgage Loans

Based on the data in Appendix C, Table P, and the following performance context considerations, we concluded the borrower distribution of the bank's originations and purchases of home mortgage loans reflects reasonable penetration.

For 2016, the distribution of mortgage loans reflects reasonable penetration to individuals of different income levels. The percentage of loans made to low-income borrowers is below the percentage of low-income families in the AA but exceeds the percentage of aggregate peer loans. The percentage of loans to moderate-income borrowers exceeded the percentage of moderate-income families. NNB exceeded the percentage of aggregated peer loans made to LMI groups in 2016.

For 2017 and 2018, the distribution of mortgage loans reflects reasonable penetration among individuals of different income levels. The distribution of the bank's home mortgage loans originations and purchases reflects satisfactory performance. The percentage of loans made to low-income borrowers was below the percentage of low-income families in the AA. The

percentage of loans to moderate-income borrowers exceeded the percentage of moderate-income families and exceeded the percentage of aggregate peer loans. This performance was excellent.

Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

NNB's performance under the Community Development (CD) test is satisfactory. The level of CD activities demonstrates adequate responsiveness to the needs of the community. Factors supporting this conclusion include the institution's adequate record regarding a qualified CD loan, donations and services, and appropriate responsiveness to CD needs.

Number and Amount of Community Development Loans

NNB originated one CD loan during the evaluation period. The loan was a line of credit for \$500 thousand to improve the sewer system in a mobile home park that benefits LMI individuals within the AA.

Number and Amount of Qualified Investments

During the evaluation period the bank invested \$511,042 in a bond for a 70 unit assisted living facility located in Bethlehem, PA and is covered by the Housing and Finance Development Authority (HFDA). The facility is located adjacent to the banks AA. To qualify for the program, combined family income cannot exceed 50 percent of the Area Median Income (AMI). The development is deed restricted to these requirements. The current balance on the investment is \$476,164.

Additionally, the bank made three qualifying investments of \$159 thousand to local school districts where students receive free or reduced lunches.

The bank also made 18 qualifying donations totaling \$43 thousand to organizations in the AA. These organizations provided funding used to support education programs that might not otherwise be funded where students receive free or reduced meals. It also included donations to local food banks.

Extent to Which the Bank Provides Community Development Services

During the evaluation period, there were no NNB volunteers within the bank's assessment area for community development services.

Responsiveness to Community Development Needs

NNBs level of CD activities demonstrates adequate responsiveness to the needs and opportunities in its AA. A community contact noted that the needs of the community include early education, affordable housing, affordable home repairs, access to medical care, and food availability. NNB's CD loans, donations, and services address these needs.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/16 to 12/31/18) Investment and Service Tests and CD Loan: (01/01/16 to 12/31/18)	
Financial Institution	Products Reviewed	
The Neffs National Bank (NNB) Neffs, PA	Mortgage loans, small loans to business, CD loans, investments, and services.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Lehigh and Northampton Counties AA MSA 10900	Full-Scope	For the period from January 1, 2016 through December 31, 2016, the data from the 2010 U.S Census was used in our analysis. For the period from January 1, 2017 to December 31, 2018, data from the office of Management and Budget changed the 2010 U.S. Census data and updated with the 2015 Census data.

Appendix B: Community Profiles for Full-Scope Areas

NNB has a single AA located in Eastern Pennsylvania. NNB has defined Lehigh Valley and Northampton counties as its AA. These counties are located in the east region of Pennsylvania, anchored by the cities of Allentown, Bethlehem, and Easton. Lehigh County is part of the Allentown-Bethlehem-Easton, PA- NJ Metropolitan Division MD (10900). The bank's AA is comprised of 34 census tracts within the counties, listed above. There are no low-income census tracts and two moderate-income census tracts. The following chart provides a summary of demographic information for the AA from 2016.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	34	0.0	17.6	55.9	26.5	0.0
Population by Geography	163,181	0.0	14.8	58.2	27.1	0.0
Housing Units by Geography	67,517	0.0	16.3	59.3	24.4	0.0
Owner-Occupied Units by Geography	51,552	0.0	11.6	61.1	27.2	0.0
Occupied Rental Units by Geography	12,383	0.0	35.8	49.9	14.3	0.0
Vacant Units by Geography	3,582	0.0	16.6	66.0	17.5	0.0
Businesses by Geography	10,610	0.0	13.9	52.8	33.3	0.0
Farms by Geography	416	0.0	5.0	61.1	33.9	0.0
Family Distribution by Income Level	45,853	15.4	19.1	23.8	41.8	0.0
Household Distribution by Income Level	63,935	20.2	15.9	19.8	44.2	0.0
Median Family Income MSA - 10900 Allentown-Bethlehem-Easton, PA-NJ MSA		\$68,935	Median Housing Value			\$211,048
			Median Gross Rent			\$820
			Families Below Poverty Level			4.1%

*Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(* The NA category consists of geographies that have not been assigned an income classification.*

Of the 34 tracts, zero percent are low-income geographies, 18 percent are moderate-income geographies, 56 percent are middle-income geographies, and 27 percent are upper-income geographies for 2016.

The 2010 US Census reported the total population of the AA at 163,181. Within the AA, there are 45,853 families and 63,935 households. The median housing cost is \$211,048. There are 67,517 housing units, of which, 76.4 percent are owner-occupied, 18.3 percent are rental-occupied, and 5.3 percent are vacant housing units.

Approximately zero percent of owner-occupied housing is located in the low-income geography, 11.6 percent is located in moderate-income geographies, 61.1 percent is located in middle-income geographies, and 27.2 percent is located in upper-income geographies.

The 2016 median family income was \$68,935. Approximately 15.4 percent of the families are low-income, 19.1 percent are moderate-income, 23.8 percent are middle-income, and 41.8 percent are upper-income. Approximately 4 percent are below the poverty level.

The economy for the AA is stable. The major employment sectors in Lehigh County are health care hospitals, retail trade, manufacturing, physicians, and educational services. The major employers are Lehigh Valley Hospital Center, Saint Luke's Hospital, Amazon.com DEDC LLC, Lehigh Valley Physician Group, Mack Trucks Inc., Lehigh County, and Allentown School District.

Competition in the AA is high and includes local community banks and branches of larger regional and national banks. According to the FDIC Deposit Market Share Report as of December 31, 2016, NNB ranks fourth in deposit market share in Lehigh and Northampton Counties at 9.05 percent. NNB's main competitors are Wells Fargo Bank (27.89 percent market share with nine branches), Branch Banking and Trust Company (13.80 percent market share with ten branches), and New Tripoli Bank (9.68 percent market share with two branches).

According to 2016 Peer Mortgage Data, NNB had a 1.11 percent loan market share, and ranked 20th among 280 lending institutions in the AA. NNB's major competitors for mortgage lending in the AA are: Wells Fargo Bank, NA, ranked 1st with a 11.59 percent market share; American Neighborhood Mortgage ranked 2nd with a 5.36 percent market share; Mortgage American, Inc. ranked 3rd with a 3.89 percent market share.

According to the December 2016 US Department of Labor and Industry data, the unemployment rate for the Lehigh County is 4.3 percent. The Pennsylvania state unemployment rate is 5.5 percent, and the U.S. Department of Labor and Industry national unemployment rate is 4.6 percent.

Table A - Demographic Information of the Assessment Area

Assessment Area: Neffs AA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	34	0.0	5.9	67.6	26.5	0.0
Population by Geography	166,635	0.0	5.5	66.1	28.5	0.0
Housing Units by Geography	69,287	0.0	5.8	67.8	26.5	0.0
Owner-Occupied Units by Geography	50,758	0.0	3.6	67.2	29.2	0.0
Occupied Rental Units by Geography	14,559	0.0	12.8	69.1	18.1	0.0
Vacant Units by Geography	3,970	0.0	7.4	70.2	22.4	0.0
Businesses by Geography	11,108	0.0	4.3	60.6	35.1	0.0
Farms by Geography	459	0.0	4.1	59.0	36.8	0.0
Family Distribution by Income Level	45,715	14.9	18.8	23.4	42.9	0.0
Household Distribution by Income Level	65,317	18.7	16.1	20.3	44.9	0.0
Median Family Income MSA - 10900 Allentown-Bethlehem-Easton, PA-NJ MSA		\$71,539	Median Housing Value			\$203,019
			Median Gross Rent			\$949
			Families Below Poverty Level			4.2%

Source: 2015 ACS Census and 2018 D&B Data

Due to rounding, totals may not equal 100.0

(*) The NA category consists of geographies that have not been assigned an income classification.

For the period from January 1, 2017 through December 31, 2018, data from the 2015 ACS Census was used in our analysis. NNB AA consists of the same AA from 2015 and 2016. Of the 34 tracts, zero percent are low-income geographies, 6 percent are moderate income geographies, 68 percent are middle-income geographies, and 27 percent are upper income geographies.

The 2015 ACS U.S. Census reported the total population of the AA at 166,635. Within the AA, there are 45,715 families and 65,317 households. There are 69,287 housing units in the AA, and the median housing cost is \$203,019. Of the total housing units, 73 percent are owner occupied, 21 percent are renter occupied, and 6 percent are vacant housing units.

In addition, zero percent of the owner occupied housing is located within a low-income geography, four percent is located in moderate-income geographies, 67 percent is located in middle-income geographies, and 29 percent is located in upper-income geographies. The median family incomes for the Allentown-Bethlehem-Easton, PA- NJ MSA is \$71,539. Approximately 15 percent of families are low-income, 19 percent are moderate-income, 23 percent are middle-income, and 43 percent are upper-income. Approximately four percent of households are below the poverty level.

According to 2017 Peer Deposit Data, NNB's deposit market share within this AA is 8.93 percent, making NNB 4th out of 21 institutions in AA. NNB's primary competitors are: Wells Fargo Bank, NA (nine offices, 27.00 percent market share), Branch Banking and Trust Company (nine offices, 12.47 percent market share), and New Tripoli Bank (two offices, 9.84 percent market share).

According to 2017 Peer Mortgage Data, NNB had a 0.89 percent loan market share, and ranked 26th among 280 lending institutions in the AA. NNB's major competitors for mortgage lending in the AA are: Wells Fargo Bank, NA, ranked 1st with a 10.91 percent market share; American Neighborhood Mortgage ranked 2nd with a 5.20 percent market share; and Quicken Loans ranked 3rd with a 3.80 percent market share. The economy is stable. There have been no changes to the major employment sectors or major employers since 2016.

According to the December 2017 US Department of Labor and Industry data, the unemployment rate for the Lehigh County is 4.4 percent. The Pennsylvania state unemployment rate is 4.0 percent, and the U.S. Department of Labor and Industry national unemployment rate is 3.9 percent.

During this examination, we contacted one community organization whose primary purpose is economic development. We determined through discussions with this contact opportunities exist for community development and that local financial institutions are receptive in meeting credit needs of the area.

Appendix C: Tables of Performance Data

Content of Standardized Tables

For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases; (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/AA. 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. Tables are identified by both letters and numbers, which result from how they are generated in supervisory analytical systems.

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

- 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 MA/AA. 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 **2016**

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
Neffs AA	58	10,188	100.0	5,238	0.0	0.0	0.0	11.6	10.3	11.1	61.1	65.5	54.2	27.2	24.1	34.7	0.0	0.0	0.0
Total	58	10,188	100.0	5,238	0.0	0.0	0.0	11.6	10.3	11.1	61.1	65.5	54.2	27.2	24.1	34.7	0.0	0.0	0.0

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 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 2017-18

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
Neffs AA	107	15,198	100.0	5,077	0.0	0.0	0.0	3.6	0.9	3.8	67.2	69.2	63.0	29.2	29.9	33.1	0.0	0.0	0.0
Total	107	15,198	100.0	5,077	0.0	0.0	0.0	3.6	0.9	3.8	67.2	69.2	63.0	29.2	29.9	33.1	0.0	0.0	0.0

Source: 2015 ACS Census; 01/01/20167- 12/31/2018 Bank Data, 2017 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 2016

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
Neffs AA	58	10,188	100.0	5,238	15.4	8.6	5.9	19.1	24.1	17.5	23.8	20.7	22.1	41.8	37.9	37.7	0.0	8.6	16.7
Total	58	10,188	100.0	5,238	15.4	8.6	5.9	19.1	24.1	17.5	23.8	20.7	22.1	41.8	37.9	37.7	0.0	8.6	16.7

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 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 **2017-18**

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
Neffs AA	107	15,198	100.0	5,077	14.9	6.5	7.9	18.8	22.4	19.5	23.4	26.2	22.1	42.9	40.2	34.5	0.0	4.7	16.1
Total	107	15,198	100.0	5,077	14.9	6.5	7.9	18.8	22.4	19.5	23.4	26.2	22.1	42.9	40.2	34.5	0.0	4.7	16.1

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0