



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

September 29, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Farmers' National Bank of Canfield  
Charter Number: 3654

20 South Broad Street  
Canfield, OH 44406-0000

Office of the Comptroller of the Currency

Northern Ohio Field Office  
200 Public Square Suite 1610  
Cleveland, OH. 44114-2301

**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: Satisfactory.**

**The Community Development Test is: Satisfactory.**

The major factors supporting the institution's rating are:

- The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of loans is poor and does not meet the standards for satisfactory performance.
- The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.
- A substantial majority of lending activity has occurred within the bank's Assessment Area (AA). This performance exceeds the standards for satisfactory performance.
- The bank's community development performance is satisfactory and demonstrates good responsiveness to community development needs in its AA.

**Scope of Examination**

The evaluation time period is June 12, 2006 (the date of the previous evaluation) through September 29, 2009. We analyzed home mortgage and business loan activity from January 1, 2006 through December 31, 2008. We considered all home mortgage data and business loan activity in our analysis since the bank reports both types of lending activity annually. We also considered community development loans and investment and service activity from June 12, 2006 through September 29, 2009.

The Farmers' National Bank of Canfield (FNB) has two assessment areas (AAs) for analysis purposes. The primary AA consists of portions of Mahoning and Trumbull Counties, which is a part of the Youngstown-Warren-Boardman, OH, PA Multi-state Metropolitan Statistical Area (MSA). We selected this area for a full scope review as it contains the bank's headquarters, the majority of branch locations, and a substantial majority of FNB's lending activity. The bank's second AA is comprised of a portion of Columbiana County. We assessed the bank's performance of this AA using limited scope procedures as a small portion of the bank's operations and lending stem from this non-MSA area.

We considered information from members of the local community in our assessment. We contacted two community organizations that are involved with affordable housing, social services for low- and moderate-income individuals, and economic development

initiatives. Refer to the Description of Assessment Areas section for additional information.

## **Description of Institution**

FNB is a full service community bank headquartered in Canfield, OH. This intrastate bank services the northeast portion of Ohio. As of December 31, 2008, the bank reported total assets of \$879 million. FNB is a wholly owned subsidiary of publicly traded Farmers National Banc Corporation (FNBC). FNBC is a one-bank holding company also located in Canfield, OH with no other subsidiaries. The holding company purchased a trust company since the last evaluation, but this does not have any impact on FNB's ability to address community credit needs.

FNB offers a broad range of loan products including home mortgage, consumer, and commercial loans. The bank added online banking, telephone banking, and investment banking since the last CRA exam. Using bank generated loan origination reports for the evaluation period; we determined the bank's primary products are home mortgage and business loans.

As of December 31, 2008, the bank's loan portfolio was comprised of real estate loans (71 percent), consumer loans (20 percent), business loans (6 percent), municipal loans (3 percent) and other loans (<1 percent). As 30 percent of real estate loans are for business purposes, business lending is one of the bank's primary product lines.

The bank operates sixteen full-service branches and one drive-up branch. All of the bank's full-service branches offer drive-up facilities, and most offer ATM services.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The last performance evaluation was dated June 12, 2006 and rated the bank Satisfactory.

## Description of Assessment Area

FNB's full-scope assessment area is described below:

### Mahoning-Trumbull Assessment Area

Demographic Information for the Mahoning-Trumbull AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	79	3.80	13.92	62.02	20.25
Population by Geography	329,406	1.31	10.88	62.57	25.24
Owner-Occupied Housing by Geography	8,879	0.48	8.18	63.59	27.75
Businesses by Geography	21,177	3.29	8.52	53.81	34.38
Farms by Geography	561	1.07	5.17	65.24	28.52
Family Distribution by Income Level	90,901	16.26	17.99	22.73	43.01
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,092	0.00	0.00	100.00	0.00
Median Family Income	= \$48,193	Median Housing Value = \$88,155 2008 Average Unemployment Rate Mahoning = 7.1% Trumbull = 7.5%			
HUD Adjusted Median Family Income for 2008	= \$52,000				
Households Below the Poverty Level	= 7.99%				

Source: 2000 U.S. Census and 2008 HUD updated MFI.

The Mahoning-Trumbull AA is comprised of portions of Mahoning and Trumbull Counties within the Youngstown-Warren-Boardman OH, PA Multi-state MSA. This AA meets the requirements of the regulation. FNB operates eleven full service offices and two drive thru offices in this AA. The bank's main office is located in this AA. All bank offices are located in the Ohio portion of the multi-state MSA

Based on the June 30, 2008 FDIC deposit data, FNB is ranked sixth with an 8.61 percent share of the insured deposit market. Overall, there are fourteen insured deposit institutions that operate a total of 139 offices in the market area. Other major competitors include Huntington Bank with a 22.45 percent market share, First Place Bank (19.40 percent), Home Savings & Loan (14.63 percent), and National City Bank with an 11.27 percent share of the deposit market.

The local economy weakened during the evaluation period with a continuing loss of manufacturing jobs, limited economic development opportunities, population exodus, and an aging population. The area's unemployment rate continues to outpace the State of Ohio statewide non-adjusted rate of 6.5 percent and the national non-adjusted unemployment rate of 5.8 percent. Unemployment rates are 2008 annual averages as of December 2008. Major employers include Delphi Packard Electric, GM Lordstown, Forum Health, HM Health Partners, Diocese of Youngstown, WCI Steel and Youngstown State University.

We determined the community's credit needs by contacting representatives from local community and economic development organizations along with discussion with bank management.

We identified the following credit and non-credit needs in this AA:

- Increased local bank participation in the SBA 504 and 7a programs which assist small businesses
- Continued bank participation in funding County mini-loan programs
- "Second Chance" deposit accounts [savings or checking] to reestablish good credit history
- Offering loans of \$350 to \$1000 to low- and moderate-income borrowers
- In-kind assistance to help with financial literacy and home ownership programs

## **Conclusions with Respect to Performance Tests**

Performance under the lending test is Satisfactory. This conclusion is based primarily on performance within the Mahoning-Trumbull full scope AA, with borrower and geographic distribution components receiving the most weight. See separate section entitled Limited Scope – Columbiana County AA for information on the bank's geographic and borrower distribution performance in that limited-scope AA.

## **LENDING TEST**

### **Loan-to-Deposit Ratio**

The bank's net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance given the bank's size, financial condition, and credit needs of the bank's AAs. The bank's average quarterly loan-to-deposit ratio over the past 12 quarters ending December 31, 2008 was 83.23 percent. This was modestly lower than the 92.99 percent experienced by a 4-bank group of peer banks during the same time period. It is also noted that FNB's loan-to-deposit ratio as of December 31, 2008 was 84.18 percent.

### **Lending in Assessment Area**

Table 1 details FNB's lending in its AAs by number of loan originations and dollar volume during the evaluation period.

FNB's record of lending in the AAs is more than reasonable and exceeds the standards for satisfactory performance. A substantial majority of lending activity has occurred within the bank's AAs. As reflected in Table 1, approximately 86 percent of the number of loans and 83 percent of loan dollars originated during the evaluation period are

located within the bank’s AAs. We base these percentages on all home mortgage activity and all reported small business loans originated by the bank during the evaluation period.

<b>Table 1 - Lending in FNB’s Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	1,120	85.37	192	14.63	1,312	121,280	79.57	31,141	20.43	152,421
Business	729	88.04	99	11.96	828	83,656	85.94	13,687	14.06	97,343
Totals	1,693	85.72	282	14.28	1,975	171,831	83.39	34,232	16.61	206,063

*Source: Reported HMDA Data and business loans.*

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

The borrower distribution of loans reflects a reasonable penetration among borrowers of different incomes and businesses of different sizes.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the Description of Assessment Areas section for demographic information, including poverty rates.

#### Mahoning-Trumbull Assessment Area

The overall borrower distribution of loans is reasonable in the Mahoning-Trumbull AA. We base this finding on reasonable penetration of home mortgage loans among borrowers of different income levels, and reasonable penetration of business loans among businesses of different sizes. Refer to Table 2 for the primary data used to assess the borrower distribution of home mortgage lending in the Mahoning-Trumbull AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.26	10.32	17.99	20.64	22.73	17.08	43.01	37.37
Home Improvement	16.26	16.93	17.99	25.40	22.73	25.40	43.01	24.87
Home Refinance	16.26	8.18	17.99	16.67	22.73	23.27	43.01	37.11

*Source: Data reported under HMDA; 2000 U.S. Census data  
Income information was not reported for 14.6% of home purchase, 7.4% of home improvement and 14.8% of home refinance loans within the Mahoning-Trumbull AA.*

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. While the percentage of home purchase loans to low-income borrowers is significantly below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The distribution of home improvement loans reflects excellent penetration among borrowers of different income levels. The percentage of loans to both low- and moderate income borrowers exceeds the percentages of low- and moderate-income families in the area.

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. While the percentage of loans to low-income borrowers is significantly below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of loans to moderate-income borrowers is near the percentage of moderate-income families in the AA.

The distribution of business loans reflects reasonable penetration among businesses of different sizes. Based on all reported business loans made during the evaluation period, 56 percent of all loans are to businesses with gross annual revenues of less than \$1 million. According to Dun & Bradstreet business demographic data, 62 percent of area businesses have gross annual revenues less than or equal to \$1 million, although revenue data is not available for 32.5 percent of the AA’s businesses.

**Geographic Distribution of Loans**

The geographic distribution of loans reflects a poor dispersion among geographies of different income levels. We based this conclusion on performance from the Mahoning-Trumbull AA only. As the Columbiana County limited-scope AA has no low- or

moderate-income areas, geographic distribution analyses are not meaningful for that area.

### Home Mortgage Lending – Mahoning-Trumbull AA

In drawing conclusions, we placed more weight on moderate-income performance, as this segment of the community represents a significantly larger portion of the AA than the low-income segment. There is limited opportunity to lend in low-income areas as less than one percent of the area's owner-occupied housing units are located in those portions of the AA. Furthermore, the general aging of the population and older age of the housing stock in these census tracts also limit the opportunities for making loans to this market segment. The majority of the bank's low and moderate income census tracts lie on the outskirts of the cities of Youngstown and Warren where the bank has little branch presence. Refer to Table 3 below for the primary data used to assess the geographic distribution of home mortgage lending.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.48	0.00	8.18	3.91	63.59	53.74	41.18	42.35
Home Improvement	0.48	0.00	8.18	5.82	63.59	60.85	27.75	33.33
Home Refinance	0.48	0.31	8.18	2.20	63.59	52.20	27.75	45.28

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

The distribution of home purchase loans reflects a poor dispersion among census tracts of different income levels. Although no loans were made in low-income census tracts, limited opportunities exist as there is less than one-half of one percent of owner-occupied housing in this census tract. Similarly, the percentage of loans made in moderate-income areas is also significantly below the percentage of owner-occupied housing units located in the moderate-income portions of the AA.

The distribution of home improvement loans reflects a poor dispersion among census tracts of different income levels. Although the bank did not make loans in the low-income census tract, limited opportunities exist as there is less than one-half of one percent of owner-occupied housing in this census tract. However, the percentage of loans made in moderate-income areas is well below the percentage of owner-occupied housing units located in the moderate-income portions of the AA.

The distribution of home refinance loans reflects a poor dispersion of loans among census tracts of different income levels. The percentage of loans made in low-income areas is somewhat near the percentage of owner-occupied housing units in that segment of the community. However, the percentage of loans made in moderate-income areas is well below the percentage of owner-occupied housing units located in the moderate-income portions of the AA.

**Business Lending – Mahoning-Trumbull AA**

The dispersion of business loans among census tracts of different income levels is poor. The percentages of loans in low-income and moderate-income areas are well below the percentages of businesses located in those segments of the AA. Refer to Table 4 below for the primary data used to assess the geographic distribution of business lending.

<b>Table 4 - Geographic Distribution of Loans to Businesses in Mahoning-Trumbull AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business	3.29	1.84	8.52	3.01	53.81	49.42	34.38	45.70

Source: Business Loans; 2008 Dun & Bradstreet business data

**Limited Scope – Columbiana County AA**

FNB’s Columbiana non-MSA AA is comprised of ten census tracts representing approximately one-fourth of Columbiana County. This area is contiguous to the southern border of Mahoning County. This AA consists of nine middle-income and one upper-income census tracts. The bank has four full-service branches and four ATMs located there.

Based on limited scope reviews, FNB’s performance under the lending test in the Columbiana County AA is stronger than the bank’s overall satisfactory performance under the lending test.

<b>Table 2b Borrower Distribution of Home Mortgage Loans in Columbiana AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.84	9.09	19.71	22.73	24.42	29.55	37.03	31.82
Home Improvement	18.84	16.67	19.71	28.57	24.42	16.67	37.03	35.71
Home Refinance	18.84	16.67	19.71	23.33	24/42	22.22	37.03	34.44

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

Income information was not reported for 6.8% of home purchase, 2.4% of home improvement and 2.3% of home refinance loans within the Columbiana County AA.

FNB’s distribution of home mortgage lending among borrowers of different income levels is excellent. The percentages of home purchase, home improvement, and home refinance loans to moderate-income borrowers exceed the percentage of families

located in those parts of the AA. While the percentage of home purchase loans to low-income borrowers is lower than the demographic, the percentages of home improvement and home refinance loans are near the percentage of low-income families in the AA.

FNB's distribution of lending to businesses of different sizes is excellent. Eighty percent of FNB's small businesses loans made during the evaluation period are to businesses with gross annual revenues of less than \$1 million. This exceeds the 64.21 percent of area businesses that have gross annual revenues less than or equal to \$1 million according to Dun & Bradstreet business demographic data.

An evaluation of the geographic distribution of loans is not meaningful in the limited-scope AA as there are no low or moderate-income geographies in this AA.

### **Responses to Complaints**

FNB has not received any written complaints during the evaluation period regarding its performance meeting the credit and deposit needs of its AAs.

## **COMMUNITY DEVELOPMENT TEST**

FNB's community development performance through its record of retail services, community development loans, qualified investments, and community development services demonstrates adequate responsiveness to community development needs in its AA and is rated Satisfactory.

### **Number and Amount of Community Development Loans**

FNB participates in several government-sponsored home loan programs for borrowers who do not typically qualify for credit under traditional loan programs. These programs address the needs of low- and moderate-income borrowers, individuals located in underserved areas, and first-time home buyers. Borrowers in each program must meet income eligibility requirements. Features include low or no down payment amounts, down payment or closing cost assistance, and flexible credit terms. As of September 29, 2009 the bank had made four Welcome Home Loans, eight Affordable Housing Loans, and six American Dream Loans.

FNB participates in four programs to assist small businesses and economic development in the AA. The Mahoning/Youngstown and Columbiana Mini-Loan Fund Programs are consortium of local lenders and local and county government funding agencies. Loan funds are available to small business owners who generally fail to meet traditional bank underwriting guidelines. FNB made a commitment of \$300 thousand and funded fourteen loans totaling approximately \$199 thousand.

The Ohio Grow NOW (formerly known as the Small Business Linked Deposit Program) is designed to assist for-profit businesses of less than 150 employees, a majority of which must be Ohio residents. FNB made fourteen loans totaling approximately \$2.6 million. The Ohio Capital Access Program [CAP] provides working capital loans up to \$250 thousand and fixed asset loans up to \$500 thousand to businesses with annual revenues of \$10 million or under. FNB made two loans totaling approximately \$243 thousand.

FNB originated a \$480 thousand construction loan for an affordable housing entity allowing another thirteen single mothers and their children to be housed as part of a 2-year transitional housing program. FNB approved this loan at a reduced rate of interest and waived closing costs.

### **Number and Amount of Qualified Investments**

During the evaluation period, FNB made 74 qualified donations to 43 organizations totaling \$92 thousand. All funds are specifically targeted to benefit low- and moderate-income persons, low- and moderate-income census tracts within the AA, or support organizations whose major purpose is providing economic development, revitalizing of central business districts, and offering assistance to attract, expand and retain small business entities, payrolls and job levels throughout the AA.

Unfunded commitments made by FNB for future disbursement include a \$1 million investment in Ohio Capital Corporation for Housing (OCCH) in the Ohio Equity Fund. Funding began in 2008 and will continue over a 15-year timeframe. The Ohio Equity Fund invests in residential real estate projects throughout the state of Ohio earmarked for either low- and moderate-income households or census tracts. FNB also made a \$30 thousand commitment toward an affordable housing entity ultimately resulting in six new, seven renovated, and one on-site support counselor apartment for their 2 year transitional housing program for needy single mothers and their children. FNB provides \$10 thousand a year for three-years through 2010.

### **Extent to Which the Bank Provides Community Development Services**

The bank has seventeen branches and fifteen ATMs in its AAs. There are no branches or ATMs in any low- or moderate-income census tracts. The low- and moderate-income census tracts within the bank's AAs are within a five-mile radius of branches in Warren and Youngstown that were acquired in 2001 through merger activity. As previously noted, the low- and moderate-income geographies are primarily in the cities of Youngstown & Warren where the bank has a limited presence.

In addition to FNB's full-service branches and ATM locations, which offer a full range of consumer and commercial products and services, FNB offers on-line banking, providing customer access to consumer and business accounts, and a telephone bill payment system, allowing customer to make bill payments directly from their deposit accounts.

FNB offers free checking accounts to all its customers. Since there is no data to reflect how this has impacted the LMI parts of the community, we cannot place any weight on this for CRA purposes.

FNB has created the Welcome Home Savings Program to encourage low- and moderate-income borrowers to save for a home down payment, an identified credit need of the community. At the onset, FNB contributes \$25 at account opening. FNB expects each participant to contribute \$5 monthly into the account over a two-year period. For each year the participant meets the 12 monthly deposit requirements, FNB contributes an additional \$10 per year. During the evaluation period, the bank opened 19 accounts and provided \$3,400 in matching contributions.

FNB partners with the Community Action Agency of Columbiana County (CAACC) to participate in offering an individual deposit account product (IDA). The three-year commitment involves matching funds to CAACC which will be combined with funds from the Ohio Community Development Corporation.

Through its employees, FNB is involved in a variety of community development services. Many of the bank's employees and officers using their financial expertise are involved in non-profit organizations that provide services for low- and moderate-income individuals or economic development for small businesses. FNB participates in fourteen of the major community groups active in meeting the housing, service, and economic needs of low- to moderate-income households and geographies. Senior management is actively involved in several economic development organizations in Niles, Warren and Youngstown to meet small business needs including start-up loans, rehabilitation and re-stabilization of central business districts, and offering assistance to existing businesses to expand or for new business to relocate in the Mahoning Valley area.

In support of affordable housing and economic development, FNB also sponsors periodic seminars on topics such as starting a small business, handling personal finances, and offering guidance to first-time homebuyers with a consortium of local area banks. The bank participates in small business seminars approximately twice a year through the Mahoning Valley Economic Development Corporation. First Time Homeowner Buyer Workshops are held approximately monthly through the local Family Service Agency where information on family budgeting is also distributed.

### **Responsiveness to Community Development Needs**

FNB's community development performance through its record of retail services, community development loans, qualified investments, and community development services demonstrates adequate responsiveness to community development needs in its AA and rated Satisfactory.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with

helping to meet community credit needs.