



PUBLIC DISCLOSURE

November 5, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers National Bank of Emlenton
Charter Number 5481

612 Main Street
Emlenton, Pennsylvania 16373

Office of the Comptroller of the Currency

Corporate One Office Park, Building 2
4075 Monroeville Boulevard, Suite 300
Monroeville, Pennsylvania 15146

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The following major factors support the institution's rating:

- The average loan-to-deposit ratio is reasonable, given the bank's size, financial condition, and assessment area credit needs;
- A substantial majority of the bank's home mortgage lending activity is originated within its delineated assessment areas;
- The distribution of home mortgage loans represents reasonable distribution among borrowers of different income levels;
- The geographic distribution of home mortgage loans reflects reasonable distribution among census tracts of different income levels;
- The bank has provided appropriate responses to CRA-related complaints it received during the evaluation period; and
- The bank's community development activities demonstrate adequate responsiveness to community development needs in its assessment areas.

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/assessment area.

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: 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 assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(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/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. 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: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

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 metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

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

Description of Institution

Farmers National Bank of Emlenton (referred to as “FNBE” or the “bank”) is an interstate community bank with offices in Pennsylvania and West Virginia. FNBE’s headquarters and main office is located in Emlenton, Pennsylvania. FNBE is a wholly owned subsidiary of Emclave Financial Corp, a one-bank holding company also located in Emlenton. In addition, Emclave holds a wholly owned real estate settlement company called Emclave Settlement Services, LLC.

The bank operated in one state, Pennsylvania, during the evaluation period, thus will be evaluated as a single state institution and appendix B “Summary of State Ratings” is not required. FNBE has identified three separate assessment areas (AA) in Pennsylvania, and one in West Virginia: the Pennsylvania Non-Metropolitan Statistical Area (Non-MSA) AA, the Pittsburgh PA Metropolitan Statistical Area (MSA) AA (38300), the Youngstown-Boardman-Warren OH-PA MSA AA (49660) and the Weirton–Steubenville WV-OH MSA AA (48540).

The Pennsylvania Non-MSA AA includes the full counties of Clarion, Elk, and Venango, and contiguous portions of Clearfield, Crawford, and Jefferson counties. For the Pennsylvania Non-MSA AA, the bank has included five census tracts (CTs) for Clearfield County, four CTs for Crawford County, and eight CTs for Jefferson County. The Pittsburgh PA MSA AA includes the full counties of Allegheny, Butler, and portions of Armstrong. For the Pittsburgh PA MSA AA, the bank has included two CTs for Armstrong County. FNBE’s presence in the Youngstown-Boardman-Warren OH-PA AA consists of a portion of Mercer County only. The bank has included five CTs for Mercer County. FNBE’s Weirton-Steubenville WV-OH MSA AA consists only of one of two counties, Hancock County WV. The bank includes all of the CTs for Hancock County.

Within FNBE’s highest volume lending area per analysis of the January 1, 2015 through December 31, 2017 bank Home Mortgage Disclosure Act (HMDA) data, the Pennsylvania Non-MSA AA, competition for mortgage loans is strong and includes mortgage companies, local commercial and savings banks, and branches of larger regional and nationwide banks. Based on the most recent 2017 Peer Mortgage Data, there were 184 lending institutions within the AA competing for mortgage originations. Based on the June 30, 2017 FDIC Summary of Deposit Market Share report, FNBE’s deposit market share within the Pennsylvania Non-MSA AA was 6.75 percent, ranking sixth out of 17 institutions in the Pennsylvania Non-MSA AA.

As of December 31, 2017, FNBE operated 17 full service branches, 16 in Pennsylvania and one in West Virginia. The Pennsylvania branches are located in the following communities: Aspinwall, Butler, Brookville, Clarion, Cranberry Township, Dubois, East Brady, Eau Claire, Emlenton, Grove City, Knox, Ridgway, Seneca, Southside, St. Marys, and Titusville. The one West Virginia branch is located in Chester. Of the 17 branches, one is located in a moderate-income CT, 12 are located in middle-income CTs, and four are located in upper-income CTs. There are no distressed or underserved middle-income CTs. The Chester branch is located in the Weirton-Steubenville WV-OH

MSA AA, and the Grove City branch is located in the Youngstown-Boardman-Warren OH-PA MSA AA. The Pittsburgh MSA AA contains the Aspinwall, Butler, Cranberry Township, Eau Claire, and Southside branches. The remaining branches are located in the Pennsylvania Non-MSA AA.

There have been three branch openings and one branch closing since the previous evaluation. For the branch openings, two of the branches were acquired and one branch was a de novo location. FNBE acquired the Southside PA (Pittsburgh PA MSA AA) branch in 2016 during the United American Savings Bank acquisition. The Chester WV branch (Weirton-Steubenville WV-OH MSA AA) was acquired in September 2017 from the Northern Hancock Bank and Trust acquisition. Management opened a de novo branch in Aspinwall PA (Pittsburgh PA MSA AA) in 2016. In regards to the branch closings during the evaluation period, the bank closed the Meridian PA branch (Pittsburgh PA MSA AA) in October 2017.

The acquisition of the Northern Hancock Bank and Trust Company caused FNBE to expand into West Virginia and the Weirton-Steubenville WV-OH MSA (48540). We are not considering the lending or community development performance in the Weirton-Steubenville WV-OH MSA AA or the State of West Virginia as the bank has not been active in the area for more than six months during the evaluation period.

Of the 17 branches, only the Titusville and Ridgway branches have ATMs with deposit taking capabilities. In addition, all branches except the Southside and Ridgway branches have drive-thru facilities. Drive-thru hours vary between 8:30 a.m. - 5:00 p.m. Monday through Thursday, 8:30 a.m. – 6:00 p.m. on Friday, and 9:00 a.m. – 12:00 p.m. on Saturdays. Branch hours vary from 9:00 a.m. - 4:30 p.m. Monday through Thursday, 9:00 a.m. – 6:00 p.m. on Friday, and 9:00 a.m. - 12:00 p.m. on Saturday. Five branches do not have Saturday hours.

As of the December 31, 2017 call report, total assets were \$749 million. Net loans and leases totaled \$579 million, securities totaled \$99 million, and cash and interest bearing bank balances total \$14 million. Net loans and leases comprise 77 percent of total assets. Deposits were \$655 million and comprise 95 percent of total liabilities. Tier 1 capital totaled \$58 million. FNBE's lending focus continues to be primarily 1-4 family residential mortgages followed by small business and commercial lending. FNBE offers a variety of deposit products including personal checking and savings accounts, money markets, certificates of deposit, and business and commercial checking accounts. The bank also offers online banking which includes remote check deposit services. The table below details the bank's loan portfolio composition:

Table 1 - Loan Portfolio Composition as of December 31, 2017		
Loan Category	Dollar Amount \$(000s)	Percentage of Total Loans
1-4 Family Revolving	\$13,115	2%
1-4 Family Closed-End	\$334,381	57%
Total 1-4 Family Mortgage Loans	\$347,496	59%
Non-farm, Non-residential RE	\$99,949	17%
Construction & Land Development	\$38,891	7%
Commercial & Industrial & Agricultural	\$43,680	7%
Consumer Loans	\$9,479	2%
Other & Multi-family Loans	\$44,620	8%
Total Net Loans	\$584,115	100%

Source: December 31, 2017 Call Report

FNBE is not subject to any known financial, legal, or regulatory restrictions that would impede its ability to help meet the credit needs of its AAs. The bank received a "Satisfactory" rating using Intermediate Small Bank (ISB) procedures as of the last CRA performance evaluation dated September 10, 2015.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation is an assessment of FNBE's ability to meet the credit needs of its assessment areas. We evaluated FNBE using the ISB evaluation procedures, which include a Lending Test and Community Development Test. To evaluate performance under the Lending Test, we reviewed home mortgage loans originated between January 1, 2015 and December 31, 2017. FNBE's primary loan product over the evaluation period was home mortgage loans. In assessing performance with respect to the Community Development Test, we evaluated the bank's loans, services, and investments that satisfied the definition of community development made September 11, 2015 through December 31, 2017.

Due to updates made to the demographic information and the publishing of the 2015 American Community Survey (ACS) U.S. Census Data during the evaluation period, we evaluated the bank's 2015 and 2016 performance independently of the 2017 performance metrics. The bank's lending performance between January 1, 2015 and December 31, 2016 was compared to the 2010 U.S. Census Data. The bank's lending performance between January 1, 2017 and December 31, 2017 was compared to the 2015 ACS U.S. Census Data.

Data Integrity

In order to evaluate FNBE's record of originating home mortgage loans over the evaluation period, we analyzed loan data FNBE collected and reported in accordance with HMDA requirements during this period. In order to ensure the reliability of HMDA loan data, we performed a data integrity examination as of December 31, 2017. We concluded FNBE's data integrity is satisfactory. The activities presented for community development consideration by the bank during the evaluation period were also reviewed for the purpose of determining whether the activities met the regulatory definition of community development.

Selection of Areas for Full-Scope Review

We performed a full-scope review of the Pennsylvania Non-MSA AA because this AA comprised a majority of the home mortgage lending activity during the evaluation period. We performed limited-scope reviews for the Pittsburgh MSA AA and Youngstown-Boardman-Warren OH-PA AA. These AAs had a lower volume of home mortgage lending activity during the evaluation period. We did not perform a review of Weirton-Steubenville WV-OH MSA AA. Please refer to appendix A for more information.

Ratings

In this performance evaluation, performance in the Pennsylvania Non-MSA AA carried the greatest weight in our conclusions because it represents the bank's most significant market in terms of deposit concentrations, branch distribution, and CRA reportable loans. We also placed more weight on the bank's performance in 2017 than to its performance from 2015 through 2016 to reach our conclusions as this time period was more reflective of the bank's current strategic focus.

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

LENDING TEST

FNBE’s performance under the Lending Test is Satisfactory. The average loan-to-deposit (LTD) ratio is reasonable. A substantial majority of the bank’s home mortgage lending activity were originated within the bank’s delineated AAs. The record of lending to borrowers of different incomes reflects reasonable distribution in the Pennsylvania Non-MSA AA. The geographic distribution of home mortgage loans reflects reasonable distribution in the Pennsylvania Non-MSA AA.

Loan-to-Deposit Ratio

FNBE’s average LTD is reasonable and it meets the standard for satisfactory performance. FNBE’s net quarterly average LTD ratio over the twelve-quarter evaluation period was 84.36 percent. During the evaluation period, FNBE’s quarterly range for the LTD ratio ranged from 73.14 percent to 88.44 percent. This ratio is a bank-wide calculation and is not calculated by individual AA.

The quarterly average LTD for peers was calculated from a peer group of four similarly situated institutions from within the bank’s AAs. Total asset size in the peer group as of year-end 2017 ranged from \$394 million to \$626 million. The peer group’s quarterly net LTD ratio ranged from 62.69 percent to 99.63 percent over the twelve-quarter evaluation period.

Lending in Assessment Area

FNBE originated a substantial majority of home mortgage lending activity, by number and dollar volume, within its delineated AAs. This meets the standard for outstanding performance. FNBE originated 88.62 percent of the total number of loans, and 82.48 percent of the dollar volume within its delineated AAs during the evaluation period of January 1, 2015 through December 31, 2017. This ratio is a bank-wide calculation and is not calculated by individual AA. Analysis is limited to bank originations and purchases. Refer to the following table for more information:

Table 2 - Lending in the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgages	1,254	88.6	161	11.4	1,415	215,292	82.5	45,729	17.5	261,021

Source: FNBE’s HMDA-reported data from 1/1/2015 - 12/31/2017; Due to rounding, totals may not equal 100.0

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

Pennsylvania Non-MSA AA

FNBE's record of originating home mortgages reflects reasonable distribution among Pennsylvania Non-MSA AA borrowers of different income levels. The level of competition for home mortgage loans is strong within the Pennsylvania Non-MSA AA. During 2017, FNBE originated a total of 211 home mortgage loans while the overall market (including all other financial institutions within the AA) originated 2,619 home mortgage loans. FNBE represents 8.05 percent of total mortgages.

For 2017, the bank's percentage of home mortgage loans granted to low-income borrowers is below the percentage of lending to low-income by other HMDA-reporting lenders in the AA. The percentage of home mortgage loans to moderate-income borrowers exceeds the percentage of lending to moderate-income borrowers by other HMDA-reporting lenders in the AA. Overall, FNBE's total lending to low- and moderate-income borrowers represented 30.30 percent of AA, which exceeds the total aggregate peer lending comparator of 28.60 percent.

The following table illustrates the distribution of home mortgage loans originated by FNBE during the year 2017 to borrowers of different income levels within the Pennsylvania Non-MSA AA.

	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %
Home Mortgage	7.1	8.7	23.2	19.9	23.7	23.8	46.0	36.8
% of AA Families	19.6		18.9		23.7		37.8	

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

For 2015 and 2016, the bank's record of originating home mortgages to borrowers of different income levels was weaker than 2017. The percentage of home mortgage loans granted to low-income borrowers was below the percentage of lending to low-income borrowers by other HMDA-reporting lenders in the AA. The percentage of home mortgage loans to moderate-income borrowers was near to the percentage of lending to moderate-income borrowers by other HMDA-reporting lenders in the AA. Overall, FNBE's total lending to low- and moderate-income borrowers represented 23.70 percent of AA, which was below the total aggregate lending comparator of 28.20 percent.

The following table illustrates the distribution of home mortgage loans originated by FNBE during the years 2015-2016 to borrowers of different income levels within the Pennsylvania Non-MSA AA.

Table 3B – Borrower Distribution of Loans by Income in PA Non-MSA AA for 2015-2016								
	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %
Home Mortgage	6.2	8.2	17.5	20.0	29.6	24.2	44.3	35.0
% of AA Families	18.6		19.1		23.5		38.8	

Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Geographic Distribution of Loans

Pennsylvania Non-MSA AA

The geographic distribution of home mortgage loans reflects reasonable distribution in the Pennsylvania Non-MSA AA. Opportunities to lend in low- and moderate-income geographies within the Pennsylvania Non-MSA AA are limited. There are no low-income CTs in the AA. There are only five moderate-income CTs within the AA. There were no conspicuous gaps identified within the AA. For 2017, the bank's distribution of home mortgages in moderate-income geographies was below the aggregate percentage of peer lending by other HMDA-reporting lenders. In the five moderate-income CTs in the bank's Pennsylvania Non-MSA AA, less than five percent of housing units are owner-occupied housing units. Competition for mortgage loans is strong within the AA, with 184 lenders competing for borrowers and the top 5 lenders originating less than 50 percent of the total mortgage loans.

The following table details the distribution of home mortgage loans originated by FNBE during the year 2017 in its Pennsylvania Non-MSA AA geographies.

Table 4A - Borrower Distribution of Loans by Geography in PA Non-MSA AA for 2017								
	Low-Income CTs		Moderate-Income CTs		Middle-Income CTs		Upper-Income CTs	
	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %
Home Mortgage	0.0	0.0	2.4	3.7	95.3	93.0	2.4	3.2
% of AA Owner-Occupied Housing	0.0		4.9		92.3		2.8	

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

For 2015 and 2016, the bank's record of originating home mortgages to borrowers of different incomes was not inconsistent within the performance in 2017. The percentage of home mortgage loans granted in moderate-income geographies was below the aggregate percentage of lending in moderate-income geographies by other HMDA-reporting lenders in the AA. The following table illustrates the distribution of home mortgage loans originated by FNBE during the years 2015-2016 in its Pennsylvania Non-MSA AA geographies.

	Low-Income CTs		Moderate-Income CTs		Middle-Income CTs		Upper-Income CTs	
	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %	% Bank Loans	Aggr %
Home Mortgage	0.0	0.0	1.7	2.4	91.2	84.9	7.1	12.7
% of AA Owner-Occupied Housing	0.0		3.8		87.7		8.5	

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Conclusions for Areas Receiving Limited-Scope Reviews

Limited-scope reviews were performed for the Pittsburgh PA MSA AA and the Youngstown-Boardman-Warren OH-PA MSA AA. FNBE's performance under the Lending Test within the Pittsburgh PA MSA AA during 2017 was weaker than its overall performance. The record of lending to borrowers of different incomes reflects a weaker performance than the Pennsylvania Non-MSA AA. The geographic distribution of home mortgage loans was not inconsistent with the performance in the Pennsylvania Non-MSA AA.

Performance in the Pittsburgh PA MSA AA during 2015-2016 was not inconsistent with the bank's overall performance. The record of lending to borrowers of different incomes reflects a weaker performance than the Pennsylvania Non-MSA AA. The geographic distribution of home mortgage loans was not inconsistent with the performance in the Pennsylvania Non-MSA AA.

FNBE originated an insufficient number of loans within the Youngstown-Boardman-Warren OH-PA MSA AA to conduct a meaningful analysis.

Responses to Complaints

FNBE did have three complaints relating to its CRA performance during the evaluation period. The bank addressed the complaints in a timely manner, and addressed them directly with the consumer and the agency managing the complaint.

COMMUNITY DEVELOPMENT TEST

FNBE's performance with respect to the Community Development Test is rated Satisfactory. The bank's level of community development (CD) activity reflects adequate responsiveness to the needs of low- and moderate-income individuals and CTs within the AA. Within the Pennsylvania Non-MSA AA, the bank operates 10 full-service branch offices, and offers a full range of deposit and lending services at each office. In addition, the bank has originated an adequate level of CD loans in the Pennsylvania Non-MSA AA. The bank has made adequate qualified investments and CD donations in the Pennsylvania Non-MSA AA that satisfy low- and moderate-income needs. Furthermore, board members, bank officers and lending staff regularly volunteer their time and expertise to organizations that provide financial education, affordable housing, and community services to low- and moderate-income families.

The bank made several qualified investments in minority-owned financial institutions that are located within the broader statewide or regional area, specifically New York and California. The total qualified investments within the period of September 11, 2015 through December 31, 2017 is \$2.2 million. The bank has met the needs of its immediate assessment area, and as such, these qualified investments will be considered in the overall CD Test rating.

Number and Amount of Community Development Loans

FNBE made an adequate level of CD loans in the Pennsylvania Non-MSA AA. In December 2015, FNBE originated a loan for \$3,948,000 to support a mixed-use property located in a financially distressed area with a poverty level of 15.3 percent and targets students and individuals in need. The property has nearly 50 percent of its square footage used in meeting the CD purposes test. The property houses an organization that provides free employment training, after school programs, and artist programs to unemployed, underemployed, or dislocated workers. The organization also "serves high schools students that want to explore art-based opportunities in Jefferson County." Additionally, the property houses a local community college that has a majority of its students receiving Pell Grants. Organizations in the property help provide 11 full-time jobs.

Number and Amount of Qualified Investments

FNBE has provided an adequate level of qualified investments and donations throughout in the Pennsylvania Non-MSA AA.

Originated Donations

The bank made 30 individual donations totaling \$129,666 within the Pennsylvania Non-MSA AA for the period September 11, 2015 through December 31, 2017. These donations predominantly were to organizations that provide scholarships, food assistance, and Christmas presents to low- and moderate-income individuals and

families. The largest donations, \$19,500 in 2015, \$19,500 in 2016, and \$28,500 in 2017, were to an organization that provides scholarships for pre-kindergarten and private school tuition. Over 50 percent of recipients were from families that earned less than 80 percent of the median income. Other donations included \$4,000 in 2015, 2016, and 2017 to an organization that provides Christmas gifts and clothing to low- and moderate-income families and \$5,000 in 2015, 2016, and 2017 to a different organization that provides scholarships for pre-kindergarten and private school tuition.

Originated Investments

The bank did not originate or purchase qualified investments within the Pennsylvania Non-MSA AA for the period September 11, 2015 through December 31, 2017.

Extent to Which the Bank Provides Community Development Services

FNBE has provided an adequate level of CD services in the Pennsylvania Non-MSA Assessment Area. Bank officers, employees, and board members served in leadership positions in organizations that provide community services to low- and moderate-income individual and families by providing technical and financial expertise. During the review period, bank officers, and board members volunteered 882 hours and served in qualifying positions with 18 organizations in the Pennsylvania Non-MSA AA. A bank employee served as vice president of an organization that provides emergency fuel assistance, prescriptions, and household items to families under the poverty level. A board member serves as a co-chairperson for a scholarship fund that allows low and moderate-income students attend schools of their choice. An employee serves on the board of an organization that facilitates community-based education programs and supports the local AmeriCorps program that provided 266,235 hours of service within the AA.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited scope reviews, FNBE's performance under the CD Test within the Pittsburgh PA MSA AA during the evaluation period was not inconsistent with the bank's overall CD performance.

FNBE's performance under the CD Test within the Youngstown-Boardman-Warren OH-PA MSA AA during the evaluation period was weaker than its overall CD performance.

Responsiveness to Community Development Needs

Overall, the bank's responsiveness to the CD needs of the assessment areas through community development loans, qualified investments, and community development services is adequate.

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): (09/11/2015 to 12/31/2017) Investment and Service Tests and CD Loans: (09/11/2015 to 12/31/2017)	
Financial Institution	Products Reviewed	
The Farmers National Bank of Emlenton (FNBE) Emlenton, Pennsylvania	Residential Mortgage Loans Community Development Loans, Investments, and Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
1. Pennsylvania Non- MSA AA	Full Scope	Full counties of Clarion, Elk, Venango and portions of Clearfield, Crawford, and Jefferson Counties
2. Pittsburgh MSA AA	Limited Scope	Full counties of Allegheny and Butler, and portions of Armstrong.
3. Youngstown- Boardman- Warren MSA AA	Limited scope	Mercer County only.

Appendix B: Community Profiles for Full-Scope Areas

Pennsylvania Non-MSA AA

Demographic Information for Full-Scope Area: Pennsylvania Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	52	0.0	9.6	88.5	1.9	0.0
Population by Geography	189,272	0.0	6.7	90.6	2.7	0.0
Owner-Occupied Housing by Geography	57,614	0.0	4.9	92.3	2.8	0.0
Businesses by Geography	10,894	0.0	6.9	90.2	3.0	0.0
Farms by Geography	488	0.0	1.2	97.3	1.4	0.0
Family Distribution by Income Level	51,113	19.6	18.9	23.7	37.8	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	19,666	0.0	9.3	88.4	2.3	0.0
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$56,172 = 14.4%	Median Housing Value Unemployment Rate		= \$93,959 = 4.3%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS Census and 2017 D&B Data.

Pennsylvania Non-MSA AA

The Pennsylvania Non-MSA AA includes the full counties of Clarion, Elk, and Venango, and portions of Clearfield, Crawford, and Jefferson counties. FNBE's physical presence in the Pennsylvania Non-MSA AA consists of 10 branch offices including Emlenton, East Brady, Seneca, Titusville, St. Mary's, Ridgway, Dubois, Brookville, Clarion, and Knox. The AA consists of 52 CTs, of which there are zero low-income CTs, 5 moderate-income CTs, 46 middle-income CTs, and 1 upper-income CT.

The 2015 ACS US reported the total population of the AA at 189,272. Within the Pennsylvania Non-MSA AA, there are 77,546 households and 51,113 families. There are 97,575 housing units, of which 59.05 percent are owner-occupied, 20.43 percent are rental occupied, and 20.53 percent are vacant. Approximately 4.87 percent of owner-occupied housing is located in moderate-income geographies, 92.33 percent in middle-income geographies, and 2.79 percent are in upper-income geographies. The median housing value in the Pennsylvania Non-MSA AA is \$93,959. The median housing value in Jefferson County is \$45,000, and for Venango County is \$50,000. The median residential sale price for homes in Pennsylvania is \$178,241 compared to the national median home sale price of \$258,100.

The HUD Adjusted Median Family Income for 2017 for the Pennsylvania Non-MSA AA was \$56,172 and the Weighted Average of FFIEC Updated MSA Median Family Income is \$57,500. Approximately 19.60 percent of families are low-income, 18.88 percent are moderate-income, 23.68 percent are middle-income, and 37.85 percent are upper-income. Additionally, 39.34 percent of households received social security and 23.64 percent were retired. Households below the poverty level were 14.41 percent of total households in the Pennsylvania Non-MSA AA, compared to 12.50 percent in Pennsylvania and 12.30 percent nationally.

Competition for mortgage loans is strong and includes mortgage companies, local commercial and savings banks and branches of larger regional and nationwide banks. Based on the most recent 2017 Peer Mortgage Data, there were 184 lending institutions within the Pennsylvania Non-MSA AA competing for mortgage originations. FNBE ranks third with a market share of 8.06 percent by number of loans originated and 6.69 percent by dollar amount. The top five lenders in the AA are Northwest Bank, Quicken Loans, Farmers National Bank of Emlenton, CNB Bank, and S&T Bank. The top five lenders hold 42.91 percent by number originated and 40.59 percent of total dollar for the Pennsylvania Non-MSA AA market share.

Based on the June 30, 2017 FDIC Summary of Deposit Market Share report, FNBE's deposit market share within the Pennsylvania Non-MSA AA was 6.75 percent, ranking sixth out of 17 institutions in the Non-MSA AA. The bank's primary competitors are Northwest Bank (20 offices, 18.67 percent market share), CNB Bank (15 offices, 14.00 percent market share), S&T Bank (10 offices, 13.59 percent), PNC Bank (15 offices, 11.97 percent), and First Commonwealth Bank (10 offices, 7.96 percent). The top five competitors hold 66.19 percent of the total market share.

According to the Bureau of Labor Statistics, the 2017 annual non-seasonally adjusted unemployment rate for Clarion County is 5.6 percent, for Clearfield County is 6.0 percent, for Crawford County is 5.5 percent, for Elk County is 4.9 percent, for Jefferson County is 5.6 percent, and for Venango County is 6.1 percent. The individual unemployment rates in each county within the Non-MSA AA remain elevated compared to the statewide rate of 4.9 percent and the national rate of 4.1 percent.

According to the National Council of Counties 2016 report, economic growth indicators in each of the Non-MSA AA counties are positive, with unemployment rates declining by 0.7 to 1.3 percentage points. All six counties saw median home price growth between 2.2 and 3.7 percent. Job growth ranged from 0.6 percent to 1.1 percent. That said, none of the six counties have fully recovered since the 2008 recession based on unemployment rates, jobs growth rates, economic output growth rates, and median home price growth rates.

Per January 2018 Moody's Analytics data, the Pennsylvania state economy is improving based on improving manufacturing and energy sectors. Housing remains affordable compared to other Northeast states. However, slow population growth, aging infrastructure, weak tax revenue, and large pension liabilities may negatively affect economic growth in Pennsylvania State and within the Pennsylvania Non-MSA AA.

During the evaluation period, OCC representatives met with CD and affordable housing organizations operating in the bank's AAs. For this AA, a county housing authority was contacted to discuss CD and affordable housing needs in the time period of 2016 and early 2017. This county housing authority provides an affordable, safe sanitary home and a suitable living environment for elderly persons, families and those with special needs. They have five housing complexes with 178 apartments; two complexes for elderly and disabled and three complexes for families. They are currently assisting 461 families in section 8 housing programs. This county housing authority offers several programs such as home ownership, family self-sufficiency, Section 8 housing, Section 3, and Northwest 9. This organization mainly serves Clarion and Forest counties in Pennsylvania. The Northwest 9 program serves nine counties including Cameron, Clarion, Clearfield, Elk, Forest, Jefferson, McKean, Potter and Warren.

The executive director stated the current economic condition in the area had been declining. Currently, the housing authority's programs are completely full and there are a significant number of applicants on the waiting lists for family housing. The authority's executive director stated that elderly residents are trying to live in their homes as long as possible, which limits the amount of applicants for elderly housing. However, there has been an increase in the number of young families that are applying for the program. The executive director also stated that a large number of families have come from other states to seek housing. There has been such an increase in demand for housing that the housing authority has been looking into purchasing a new housing complex to assist more families.

This county housing authority is attempting to develop a non-profit organization. The housing authority is looking for funding and grants from local financial institutions. The housing authority is currently involved with a regional bank. The regional bank is interested in donating foreclosed properties to the organization.