

PUBLIC DISCLOSURE

January 31, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens & Northern Bank
Certificate Number: 7799

90 Main Street
Wellsboro, Pennsylvania 16901

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

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.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	X
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated Low Satisfactory.

- The bank’s lending levels reflect good responsiveness to assessment area credit needs.
- The bank made a high percentage of loans in its combined assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of loans reflects adequate penetration among individuals of different income levels and business of different revenue sizes.
- The bank uses innovative and flexible lending practices in order to serve assessment area credit needs.
- The bank has made a relatively high level of community development loans.

The Investment Test is rated Low Satisfactory.

- The bank has an adequate level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits adequate responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Low Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the bank's assessment areas.
- To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies or to low- and moderate-income individuals.
- The bank provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION

Background

Citizens & Northern Bank (C&N) is a full-service bank headquartered in Wellsboro, Pennsylvania. Parent company Citizens & Northern Corporation (CNC) is a single bank holding company, sharing the same headquarters location. CNC also owns Bucktail Life Insurance Company (provider of credit life, accident, and health insurance), Citizens & Northern Investment Corporation (holding equity investments), and C&N Financial Services Corporation; all three are non-bank subsidiaries. Citizens & Northern Investment Services offers investment products and insurance products through C&N Financial Services Corp. In addition, the bank offers trust services through the C&N Trust and Financial Management Group. The bank also has a 15.3 percent ownership in Bankers Settlement Service Title Company, an affiliate. C&N received a 'Satisfactory' CRA rating at its most recent CRA evaluation, dated June 18, 2018, using Large Bank CRA Examination Procedures.

Operations

C&N operates its main office at 90-92 Main Street, Wellsboro, Pennsylvania, along with 29 additional full-service branches throughout Pennsylvania, 2 in New York, and 1 loan production office in Chemung County, New York. C&N serves Bradford, Bucks, Cameron, Chester, Lancaster, Lycoming, McKean, Montgomery, Potter, Sullivan, Tioga, and York Counties in Pennsylvania, and Steuben County in New York. C&N added Bucks, Chester, Lancaster, and York Counties as their area served since the prior evaluation. This was in part due to two acquisitions, consisting of Monument Bank and Covenant Bank.

During the review period, C&N opened, closed, relocated, and acquired multiple locations throughout Pennsylvania. The earliest such change by C&N was closing the Ralston branch in Lycoming County on November 5, 2018, leaving five branches to cover the area. The Towanda branch in Bradford County relocated within the same town from 428 Main St. to 423/433 Reuter Blvd. on June 29, 2020. The bank opened and operated a loan production office in York County during 2019, and made it a full service brick & mortar branch October 1, 2021. Through an acquisition (Monument Bank), C&N obtained branches in Doylestown and Newtown, each in Bucks County, opening for service on June 24, 2019. Through another acquisition (Covenant Bank), C&N obtained one branch in Paoli, Chester County and another branch in Doylestown, Bucks County on August 24, 2020. Finally, the bank opened one new brick and mortar branch in Lancaster County on January 3, 2022. None of these branch changes occurred in either low- or moderate-income areas.

The bank offers a variety of consumer and commercial deposit and lending products. Loan products include commercial, agricultural, home mortgage, and consumer loans, primarily focusing on real estate lending. Deposit products include checking, savings, money market accounts, and certificates of deposit. The bank also offers investment advisory and trust services. Alternative banking services include, but not limited to: online banking; mobile banking; electronic bill pay; peer-to-peer payment options; text (SMS) banking; telephone banking; personal financial management tools; and automated teller machines (ATMs; 29 locations total) with deposit capability.

Ability and Capacity

Assets totaled approximately \$2.3 billion as of December 31, 2021, and included total loans of \$1.6 billion, and securities totaling \$502.5 million. The following table illustrates the loan portfolio as of December 31, 2021.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	83,730	5.3%
Secured by Farmland	11,121	0.7%
Secured by 1-4 Family Residential Properties	547,583	35.0%
Secured by Multifamily (5 or more) Residential Properties	50,089	3.2%
Secured by Nonfarm Nonresidential Properties	569,840	36.4%
Total Real Estate Loans	1,262,363	80.6%
Commercial and Industrial Loans	185,335	11.8%
Agricultural Production and Other Loans to Farmers	2,446	0.2%
Consumer Loans	17,132	1.1%
Obligations of State and Political Subdivisions in the U.S.	81,301	5.2%
Other Loans	17,660	1.1%
Lease Financing Receivable (net of unearned income)	0	0.0%
Less: Unearned Income	0	0.0%
Total Loans	1,566,237	100.0%
<i>Source Reports of Condition and Income</i>		

Examiners observe the growth in lending from \$817.6 million to \$1.6 billion as a result of the two financial institution acquisitions, pandemic relief and stimulus efforts conducted by federal and state authorities, and organic increases for demand of credit.

C&N is primarily a real estate lender as loans secured by real estate represent 80.6 percent of the bank's loan portfolio. Commercial lending, which includes both nonfarm nonresidential loans plus commercial and industrial loans, comprises 48.2 percent of the portfolio lending. Loans secured by one-to-four family residential real estate comprises 35.0 percent of the portfolio. Since the previous performance evaluation, C&N sold on the secondary market 1,587 residential secured loans totaling \$300.0 million. C&N remained an active Small Business Administration (SBA; 7(A), 504, Veteran's Advantage, et al) lender through the evaluation period, generating 31 SBA program loans for a total of \$8.0 million. During 2020 and 2021, the SBA initiated the Paycheck Protection Program (PPP), which C&N fully participated as well. In that time, C&N originated 2,415 loans for a total of \$247.3 million to businesses financially struggling because of the COVID-19 pandemic. Examiners distinguish in subsequent analyses that not all PPP loans originated in this review period meet the defined category of small business lending.

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners evaluate its CRA performance. The FDIC evaluates the institution's CRA performance based on the defined assessment areas. C&N designates six individual assessment areas. The bank's assessment area conforms to the requirements of the CRA regulation and does not arbitrarily exclude any low- and moderate-income geographies.

Within Pennsylvania, C&N designates the following five assessment areas:

- 1) Non-metropolitan statistical (Non-MSA) areas including all of Tioga, Bradford, Sullivan, Potter, Cameron, and McKean Counties;
- 2) Williamsport Metropolitan Statistical Area (MSA) (#48700; Williamsport MSA), including all of Lycoming County;
- 3) Montgomery County-Bucks County-Chester County PA Metropolitan Division (MD) (#33874; Montgomery MD), including all of Bucks, Montgomery, and Chester Counties;
- 4) York-Hanover MSA (#49620; York MSA) which covers all of York County; and
- 5) Lancaster MSA (#29540), which covers all of Lancaster County.

Within New York, C&N designates the following one assessment area:

- 6) A Non-MSA area, including all of Steuben County.

C&N expanded its assessment areas through two acquisitions in the Montgomery MD, occurring in June 2019 and August 2020. With consideration of the differentiated timelines of lending activities encompassing the performance evaluation period of 2019 and 2020, examiners will perform a limited-scope review of the Montgomery MD. Furthermore, due to branch expansion in October 2021 and January 2022, the bank enlarged its assessment area to include York and Lancaster Counties (York MSA and Lancaster MSA). However, due to the limited loan activity and time spent in the expanded areas, examiners will perform a review of these areas at a subsequent CRA evaluation. This stands to reason the total main office and branching operations is 28 full service brick and mortar locations within the Pennsylvania rated area, excluding the York and Lancaster branches for the evaluation.

During the evaluation period, the Non-MSA areas did include census tracts designated as distressed or underserved. The Federal Financial Institutions Examinations Council (FFIEC) designates all of Cameron County *distressed* due to population loss and unemployment, and *underserved* for being remote-rural, from 2018 to 2021. The FFIEC designated all of Potter County *distressed* due to unemployment, for years 2018 and 2020. Moreover, the FFIEC designates all of Sullivan County as *underserved* for the entire performance evaluation period due to being remote-rural. Examiners may consider any activities directed at fulfilling community needs for these areas under revitalization or stabilization efforts.

An emergency declaration (EM-3441) and a major disaster declaration (DR-4506) both related to COVID-19 affected all assessment areas as of March 2020 continuing through the current evaluation. In addition, the Federal Emergency Management Agency (FEMA) designated Montgomery, Bucks, Chester, and York Counties as a disaster area on October 20, 2021 due to Pennsylvania Remnants of Hurricane Ida (4618-DR). Furthermore, FEMA designated Steuben

County a disaster area on November 5, 2021 due to Remnants of Tropical Storm Fred (DR-4625). Examiners may consider any activity that revitalized or stabilized the designated disaster area for 36 months following the disaster designation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 18, 2018, to the current evaluation dated January 31, 2022. Examiners used Interagency Large Institution CRA Examination Procedures to evaluate the bank’s CRA performance. Large Institution CRA Examination Procedures consider three performance criteria: the Lending Test, the Investment Test, and the Service Test. Examiners weigh the bank’s performance under the Lending Test more heavily than performance under the Investment and Service Tests when arriving at an overall rating. This evaluation does not include any lending activity performed by affiliates.

As stated previously, C&N designates six assessment areas within two rated areas (Pennsylvania and New York). Examiners chose each of the Non-MSA areas of PA and NY, and the Williamsport MSA for full-scope review due to the greatest level of lending, deposits, and branches in these assessment areas. Although the data demonstrates more loans, deposits, and branches in the Montgomery MD than the Williamsport MSA and New York Non-MSA, examiners did not conduct a full-scope review of Montgomery MD primarily because of inconsistent operations from the staggered branch acquisitions and openings between June 2019 and July 2020 and being a new market entrant to this area. The bank’s performance in the Pennsylvania rated area and its Pennsylvania Non-MSA assessment area, contributed more weight to the overall conclusions, as these areas account for a majority of the institution’s loans, deposits, and branches as detailed in the table below.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Pennsylvania Non-MSA AA	335,999	63.7	1,120,516	57.3	19	63.3
Williamsport MSA AA	68,317	13.0	220,477	11.3	5	16.7
Montgomery MD AA	103,099	19.5	563,428	28.8	4	13.3
New York Non-MSA AA	19,942	3.8	51,262	2.6	2	6.7
Total	527,356	100.0	1,955,683	100.0	30	100.0

Source Bank Data; FDIC Summary of Deposits (6/31/2021)

Activities Reviewed

Examiners determined that the bank’s major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. With exception to the increased small business lending in response to pandemic stressors (PPP lending), bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

The bank’s record of originating home mortgage loans contributed more weight to overall

conclusions due to the larger loan volume when compared to small business lending during the evaluation period. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. C&N originated 37 small farm loans totaling \$1.9 million in 2018, 30 small farm loans totaling \$1.3 million in 2019, and 52 small farm loans totaling \$1.6 million in 2020. Small farm loans are only included within the assessment area concentration analysis.

Home mortgage loans include home purchase loans, home improvement loans, and refinance loans reported in accordance with the Home Mortgage Disclosure Act (HMDA). This evaluation considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 HMDA Loan Application Registers (LARs). Small business loans have original amounts of \$1.0 million or less and are either secured by nonfarm nonresidential properties or classified as commercial and industrial loans. In addition, examiners considered all small business loans reported on the bank's 2018, 2019, and 2020 CRA Registers.

Although examiners analyzed and may comment on all three years of data provided, the variance of activity between 2018 and 2019 is not material to present for all portions of this evaluation; therefore, the primary presentation of activities are those from 2019 and 2020. HMDA data from 2020, the most recent year for which aggregate data is available, contributed more weight to overall conclusions. Small business lending data from 2019, the most recent year for which aggregate data is available for these activities, contributes significant emphasis to overall conclusions. For comparative purposes, the evaluation will present 2019 and 2020 aggregate HMDA data, 2019 aggregate CRA data, 2015 American Community Survey (ACS) data, and 2019 and 2020 Dun & Bradstreet (D&B) data.

While the evaluation presents both number and dollar volume of loans within the Lending Test, examiners emphasized performance by number of loans under the geographic distribution and borrower profile criteria, because the number of loans is a better indicator of the number of businesses and individuals served.

Bank management provided information on community development loans, flexible lending programs, qualified investments, and community development services since the prior CRA evaluation dated June 18, 2018.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test performance in the combined assessment area is rated “Low Satisfactory.” The Lending Test performance in the New York rated area exceeds the overall performance.

Lending Activity

The bank’s lending levels reflect good responsiveness to assessment area credit needs. During the review period, the bank originated 4,480 home mortgage, small business, and small farm loans totaling approximately \$527.4 million inside the combined assessment area. The number of home mortgage loans totaled 2,608 for approximately \$360.0 million, small business loans totaled 1,771 for approximately \$163.7 million, and small farm loans totaled 101 for approximately \$3.7 million. During the review period, the bank’s lending activity of home mortgage, small business, and small farm loans increased. In particular, C&N increased small business lending from 231 loans in 2019 to 1,316 loans in 2020 primarily due to the bank’s participation in the SBA’s Paycheck Protection Program.

C&N ranked 28th out of 768 institutions that originated or purchased in total 133,233 home mortgage loans in the combined assessment area in 2020. The total number of home mortgage loans made by C&N inside the combined assessment area in 2020 (1,161 loans) represents a 0.9 percent market share.

C&N ranked 27th out of 190 CRA-reportable institutions that originated or purchased in total 64,883 small business loans in the combined assessment area in 2019. The total number of small business loans made by C&N inside the counties of the combined assessment area in 2019 (256 loans) represents a 0.4 percent market share.

Assessment Area Concentration

The bank made a high percentage of home mortgage, small business, and small farm loans, by number and dollar volume, within its combined assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	657	85.3	113	14.7	770	74,273	81.1	17,266	18.9	91,539
2019	790	81.0	185	19.0	975	93,284	78.2	26,064	21.8	119,348
2020	1,161	82.3	250	17.7	1,411	192,445	78.1	53,937	21.9	246,382
Subtotal	2,608	82.6	548	17.4	3,156	360,001	78.7	97,267	21.3	457,268
Small Business										
2018	224	82.7	47	17.3	271	18,834	70.7	7,816	29.3	26,650
2019	231	84.6	42	15.4	273	23,506	70.4	9,882	29.6	33,388
2020	1,316	80.0	328	20.0	1,644	121,346	78.3	33,672	21.7	155,018
Subtotal	1,771	80.9	417	19.1	2,188	163,686	76.1	51,370	23.9	215,056
Small Farm										
2018	28	75.7	9	24.3	37	1,319	69.2	587	30.8	1,906
2019	25	83.3	5	16.7	30	844	64.0	475	36.0	1,319
2020	48	92.3	4	7.7	52	1,506	94.7	84	5.3	1,590
Subtotal	101	84.9	18	15.1	119	3,669	76.2	1,146	23.8	4,815
Total	4,480	82.0	983	18.0	5,463	527,356	77.9	149,783	22.1	677,139

Source Bank Data; Due to rounding, totals may not equal 100.0%

Geographic Distribution

Geographic distribution of loans reflects adequate penetration throughout the combined assessment area. The bank's adequate performance of home mortgage and small business lending within the Pennsylvania and New York rated areas primarily supports this conclusion.

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different revenue sizes in the combined assessment area. The bank's adequate performance of home mortgage and small business lending within the Pennsylvania and New York rated areas primarily supports this conclusion.

Innovative or Flexible Lending Practices

The bank uses innovative and flexible lending programs in order to serve assessment area credit needs. C&N originated 2,648 loans totaling \$286.0 million using innovative and flexible loan programs within the combined assessment area. This represents a significant increase from the previous evaluation, when the bank originated 259 loans for \$33.9 million. The increase is primarily due to the bank's participation in the SBA's PPP. The bank originated 2,415 loans totaling \$247.3 million under the program, demonstrating the bank's responsiveness in helping to serve the credit needs of its combined assessment area.

C&N continues to offer its own First-Time Homebuyer Program, government backed programs such as Veteran’s Administration loans, Federal Housing Administration loans, and US Dept. of Agriculture Rural Housing loans. C&N ended their partnership with Homes for Heroes in year-end 2018, which offered a preferential home purchase program for emergency responders, military, healthcare workers, and educators located throughout the assessment area. The following table illustrates the activities, by program and year:

Innovative and Flexible Lending Programs										
Type of Program	*2018		2019		2020		2021		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Internally Developed and Partnership Programs										
First-Time Homebuyer	22	3,111	31	3,057	4	587	2	388	59	7,143
Homes for Heroes	9	1,825	0	0	0	0	0	0	9	1,825
Home Mortgage Programs										
USDA Rural Housing	18	1,782	12	1,180	16	2,116	10	1,266	56	6,344
Veteran’s Administration	5	843	12	1,966	11	1,928	1	382	29	5,119
Federal Housing Administration	14	1,409	26	3,828	19	3,191	10	1,864	49	10,292
Small Business Programs										
SBA	9	1,741	6	1,103	4	229	12	4,908	31	7,981
SBA PPP	0	0	0	0	1504	166,710	911	80,569	2,415	247,279
Totals	77	10,711	87	11,134	1,558	174,761	946	89,377	2,648	285,983
<i>Source Bank Records; (*) Includes loan data from June 18,2018 to December 31, 2018</i>										

The following highlights the various innovative and flexible lending programs offered by the bank.

- *First Time Home Buyer Program* – C&N offers a First Time Home Buyer Program that has the following features to applicants within specific income limits: fixed interest rate; 30-year loan with no mortgage insurance, 3 percent of purchase price must come from borrower’s own funds; 3 percent maximum seller contribution; mandatory participation in first time home buyer education. This internally derived program is in partnership with the Federal Home Loan Bank (FHLB) of Pittsburgh, due to borrower counseling requirements, which provides up to \$5,000 in matching contributions to either down payment or closing cost assistance. The income restriction is set to 80 percent of the median area income, and is available to both Pennsylvania and New York residents (limiting FHLB funds to Pennsylvania residents only).
- *United States Department of Agriculture (USDA) Rural Housing Program:* The USDA’s single-family housing programs provide homeownership opportunities to low- and moderate-income families residing in rural areas through several loan, grant, and loan guarantee programs. The programs also make funding available to individuals to finance vital improvements necessary to make their homes decent, safe, and sanitary. Income limits match HUD definitions for very low-, low-, and moderate-income based on family size and property location.

- *Veterans Administration (VA) Loans:* A VA loan is a mortgage loan guaranteed by the U.S. Department of Veterans Affairs. The VA loan offers long-term financing to eligible American veterans or their surviving spouses. The basic intention of the VA loan program is to supply home financing to eligible veterans in areas where private financing is not generally available and to help veterans purchase properties with no down payment.
- *Federal Housing Administration (FHA) –* FHA loans allow homebuyers to make a minimal down payment, finance a portion of the closing costs, and qualify at higher debt ratios.
- *SBA:* The bank offers multiple SBA programs, including the Standard 7(a), Express Line, Express Term, and 504 Loans. SBA loan programs help qualified small businesses obtain flexible financing, when they might not be eligible for business loans through normal business channels. The bank also participated in the Paycheck Protection Program, an SBA-based loan program designed to provide a direct incentive for small businesses to keep their workers on payroll during the COVID-19 crisis.

Community Development Loans

C&N made a relatively high level of community development loans. During the evaluation period, the bank originated 42 community development loans totaling approximately \$20.7 million. As of December 31, 2021, this level of activity represents 1.1 percent of average total assets (\$1,809,394,000) and 1.6 percent of average total loans (\$1,256,538,000) since the prior CRA evaluation. Although 12 community development loans totaling \$3.7 million benefitted a broader statewide area, examiners considered these loans as qualified community development loans as the bank has been responsive to other community development needs and opportunities in its combined assessment area.

The following table illustrates the bank’s community development lending activity by rated area and by community development purpose. Additional details and specific examples are contained within the sections for the individual assessment areas.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Pennsylvania	15	1,472	6	3,052	4	4,241	16	8,980	41	17,745
New York	0	0	0	0	0	0	0	0	0	0
Regional Activities	0	0	0	0	0	0	2	2,950	2	2,950
Nationwide Activities	0	0	0	0	0	0	0	0	0	0
Total	15	1,472	6	3,052	4	4,241	18	11,930	43	20,695

Source: Bank Data

As shown, C&N did not make any community development loans within the New York rated area. However, the two regional loans are on the border of the New York rated area. One loan is to an internet service provider with intent on bringing greater broadband access to the area, while the other loan aims to repair a damaged structure and to develop affordable housing. The number and

dollar volume of community development loans exceeds the number made during the prior evaluation period. During the prior evaluation, C&N included 12 community development loans totaling \$6.0 million during a 36-month period, which represented 0.4 percent of total assets and 0.8 percent of total loans as of March 31, 2018. This rate reflected an adequate level of community development loans, at that time.

INVESTMENT TEST

The Investment Test performance in the combined assessment area is rated “Low Satisfactory.” The level of investment and grant activity supports this conclusion. The Investment Test performance in the both rated areas are consistent with the overall performance.

Investment and Grant Activity

The bank has an adequate level of qualified community development equity investments and donations. C&N made qualified investments totaling \$14.1 million during the evaluation period. This includes 27 new equity investments totaling \$12.6 million, 1 prior period equity investment for \$150,000, and qualified donations totaling \$1.4 million. This represents a significant increase in qualified investment activity from the previous CRA evaluation period, where qualified investments and donations totaled \$2.9 million.

Some of the bank’s equity investments were new investments in mortgage-backed securities (MBS). Although two MBS benefitted a broader statewide area, examiners considered these MBS as qualified investments as the bank has been responsive to other community development needs and opportunities in its combined assessment area with donations.

As of December 31, 2021, total investments and grants represents 0.8 percent of the bank’s average total assets (\$1,809,394,000) and 3.9 percent of average total securities (\$357,657,000). The following table illustrates the bank’s community development investments by rated area and purpose. Additional details and specific examples are contained within the sections for the individual assessment areas.

Community Development Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Pennsylvania	13	5,587	98	6,296	0	0	2	750	113	12,633
New York	0	0	7	917	1	565	0	0	8	1,482
Regional Activities	0	0	0	0	0	0	0	0	0	0
Nationwide Activities	0	0	0	0	0	0	0	0	0	0
Total	13	5,587	105	7,213	1	565	2	750	121	14,115

Source Bank Data

Responsiveness to Credit and Community Development Needs

C&N exhibits adequate responsiveness to credit and community economic development needs throughout its combined assessment area. Management directed the majority of the bank’s investments and grants, by dollar amount, to community services.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. C&N investments primarily include securities instruments and donations.

SERVICE TEST

The Service Test performance in the combined assessment area is rated “Low Satisfactory.” The level of community development services supports this conclusion. The Service Test performance in both rated areas are consistent with the overall performance.

Accessibility of Delivery Systems

The bank’s delivery systems are reasonably accessible to essentially all portions of the institution’s assessment area. C&N serves the combined assessment area with 30 branches, including 28 in the Pennsylvania rated area and 2 in the New York rated area. At least 23 branch locations also have an ATM. In addition, the bank operates six freestanding ATMs in the Pennsylvania rated area, primarily in the PA Non-MSA and within middle-income census tracts. Customers also have surcharge-free access at any Allpoint registered ATMs.

The following table illustrates the distribution of branch and ATM locations comparatively to the census tract and demographic data:

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	22	3.8	79,584	3.4	0	0.0	0	0.0
Moderate	107	18.7	395,577	16.9	1	3.3	1	3.4
Middle	304	53.0	1,254,612	53.6	26	86.6	26*	89.7
Upper	138	24.0	603,899	25.8	3	0.1	2	6.9
NA	3	0.5	7,022	0.3	0	0.0	0	0.0
Total	574	100.0	2,340,694	100.0	30	100.0	29	100.0

Source 2015 ACS Data; Bank Data; () Denotes the 6 proprietary and only stand-alone ATMs the bank operates.*

Alternative banking services such as telephone banking, online banking, mobile banking and applications, digital payments, and ATMs are available to increase accessibility of retail banking services. Since the previous CRA evaluation, C&N began offering online deposit account opening for checking and savings accounts. Furthermore, as of 2020 the bank ceased charging any excess (>10) transaction fees for mobile banking services in response to better serve low- and moderate-income users during the pandemic; this is now a permanent feature.

Additional details of the bank’s branching and ATM distribution are contained within the sections for the individual assessment areas.

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low-and moderate-income geographies and/or to low- and moderate-income individuals.

For branch operations, C&N closed one, opened two, and acquired four, all in the Pennsylvania rated area. None of these branch changes occurred in either low- or moderate-income areas. Other changes in branch locations affected middle- and upper-income census tracts. Additional details of changes in branch locations are contained within the sections for the individual assessment areas.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Branch hours are generally consistent with most branches offering extended hours on Friday and many having Saturday hours.

Community Development Services

The bank provided an adequate level of community development services in the combined assessment area during the evaluation period. The bank provided 96 instances of financial expertise, technical assistance, and financial education to 26 community development-related organizations and low- and moderate-income individuals. This is a decrease in overall activity compared to the prior evaluation; however, management demonstrated detailed efforts to support critical community groups throughout the pandemic response. The bank attributes the decline of services to be a combination of pandemic mitigation constraints and a difference of accounting for instances. The following table illustrates the bank’s community development services by rated area and community development purpose. Additional details of the bank’s community development services are contained within the sections for the individual assessment areas.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Pennsylvania	9	42	36	4	91
New York	0	4	0	0	4
Regional Activities	3	5	5	5	18
Nationwide Activities	0	5	0	0	5
Total	12	56	41	9	118
<i>Source Bank Data</i>					

Other Community Development Services

On October 1, 2021, the Bank introduced C&N Simple Debit Account, which targets unbanked and underbanked customers. The bank cites these customers tend to represent low- and moderate-income individuals. C&N continues to offer the C&N Everyday Basic Checking Account, which has features of no minimum balance, no maintenance fees, and no fees on check transactions.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence discriminatory or other illegal credit practices; therefore, this consideration did not affect the bank's overall CRA rating.

COMMONWEALTH OF PENNSYLVANIA

CRA RATING FOR COMMONWEALTH OF PENNSYLVANIA: **SATISFACTORY**

The Lending Test is rated: **Low Satisfactory**

The Investment Test is rated: **Low Satisfactory**

The Service Test is rated: **Low Satisfactory**

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PENNSYLVANIA

Economic and Demographic Data

C&N designates three assessment areas in Pennsylvania. Collectively, the CRA evaluation refers to the three assessment areas as the Pennsylvania rated area. The bank operates 28 branches in Pennsylvania. As noted previously, an emergency declaration and a major disaster declaration both related to COVID-19 affected the combined assessment area as of March 2020 continuing through the current evaluation.

The Pennsylvania rated area includes 544 census tracts. The demographics of these census tracts include:

- 22 low-income tracts;
- 104 moderate-income tracts;
- 280 middle-income tracts;
- 135 upper-income tracts; and,
- 3 census tracts with no income designation.

The following table illustrates select demographic characteristics of the Pennsylvania rated area.

Demographic Information of the Assessment Area						
Assessment Area: Pennsylvania						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	544	4.0	19.1	51.5	24.8	0.6
Population by Geography	2,242,029	3.5	17.2	52.6	26.3	0.3
Housing Units by Geography	917,389	3.8	17.7	54.3	24.3	0.0
Owner-Occupied Units by Geography	626,292	1.5	14.6	55.0	28.9	0.0
Occupied Rental Units by Geography	217,240	9.6	27.1	49.1	14.2	0.0
Vacant Units by Geography	73,857	5.5	15.9	64.3	14.3	0.0
Businesses by Geography	266,818	2.7	14.1	50.4	32.8	0.0
Farms by Geography	7,388	1.4	13.3	59.5	25.7	0.0
Family Distribution by Income Level	583,901	20.0	18.3	22.0	39.6	0.0
Household Distribution by Income Level	843,532	23.6	16.5	18.2	41.7	0.0
Median Family Income MSA - 33874 Montgomery County-Bucks County-Chester County, PA		\$99,939	Median Housing Value			\$286,120
Median Family Income MSA - 48700 Williamsport, PA MSA		\$60,191	Median Gross Rent			\$1,114
Median Family Income Non-MSAs - PA		\$56,172	Families Below Poverty Level			5.1%
<i>Source 2015 ACS and 2020 D&B Data; Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

There are 917,389 housing units. Of these, 68.3 percent are owner-occupied, 23.6 percent are occupied rental units, and 8.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are no owner-occupied housing units in the census tracts without an income designation.

According to 2020 D&B data, there were 266,818 businesses. Gross Annual Revenues (GARs) for these businesses are below.

- 88.6 percent have \$1.0 million or less;
- 4.5 percent have more than \$1.0 million; and,
- 6.9 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 39.7 percent; followed by non-classifiable establishments (20.9 percent); finance, insurance and real estate (9.9 percent); and retail trade (9.6 percent). In addition, 63.5 percent of area businesses have four or fewer employees, and 92.5 percent operate from a single location.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the November 2021 National unemployment rate was 4.2 percent, while Pennsylvania's statewide unemployment rate

was 5.7 percent. Unemployment rose steeply during April through August 2020 due to the COVID-19 pandemic; however, current unemployment rates have been normalizing towards near full employment levels.

Competition

The assessment area is competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 73 financial institutions operating 928 branches within the PA rated area. Of these institutions, C&N ranked 14th with a 1.8 percent deposit market share.

There is a relatively high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 745 lenders reported 130,718 residential mortgage loans originated or purchased. C&N ranked 29th out of this group of lenders, with a market share of 0.9 percent. The three most prominent home mortgage lenders accounted for 17.8 percent of total market share.

There is a relatively high level of competition for small business loans. In 2019, 185 lenders reported 63,752 small business loans originated or purchased. C&N ranked 27th out of this group of lenders, with a market share of 0.4 percent. The three most prominent small business lenders accounted for 43.3 percent of total market share.

Community Contacts

As part of the evaluation process, examiners contact third-parties within the assessment area to gain insight on local economic conditions, credit needs, area challenges and opportunities. This information can also help determine if banks in the area are responsive to the needs of the community. It also shows what credit and community development opportunities are available.

Examiners conducted a community contact with county-level public planning commission, which focuses on economic development in the PA Non-MSA area; specifically, Sullivan County. The contact noted that demographic data does not fully reflect the activities occurring within the area. There are fewer home purchases occurring, but many new residential construction projects are underway. The contact observes this effort happening from a lack of quality housing in the area, which the contact noted is an opportunity for affordable rehabilitation credit to homeowners. Furthermore, infrastructure development is necessary to bring natural gas energy supply to specific boroughs in order to spur further manufacturing interests investors and entrepreneurs want to engage in. The contact noted the area is resource rich in energy supply and raw materials, and systematic development would attract those firms to bolster the labor market and increase the economic output of the county.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic data, the bank's overall assessment area has specific credit and community development needs. Demand for small business lending and rehabilitative housing credit exist throughout the Pennsylvania rated area.

SCOPE OF EVALUATION – PENNSYLVANIA

CONCLUSIONS ON PERFORMANCE CRITERIA IN PENNSYLVANIA

LENDING TEST

The Lending Test performance in the Pennsylvania rated area is “Low Satisfactory.” The Lending Test performance is consistent throughout the assessment areas.

Lending Activity

The bank’s lending levels reflect good responsiveness to the Pennsylvania rated area credit needs. During the review period (2018-2020), the bank originated 4,297 home mortgage, small business, and small farm loans totaling approximately \$507.4 million inside the Pennsylvania rated area. This total includes 2,500 home mortgage loans totaling approximately \$345.7 million, 1,705 small business loans totaling approximately \$158.4 million, and 92 small farm loans totaling approximately \$3.3 million. The bank increased home mortgage and small business activity from 2019 to 2020.

Geographic Distribution

Geographic distribution of loans reflects good penetration throughout the Pennsylvania rated area. The bank’s adequate performance of home mortgage and small business lending throughout each assessment area primarily supports this conclusion. The bank’s performance is consistent for the assessment areas in the Pennsylvania rated area.

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different revenue sizes in the Pennsylvania rated area. The bank’s adequate performance of home mortgage and small business lending throughout each assessment area primarily supports this conclusion, as this area received the most weight in the overall analysis. The bank’s performance is consistent for the assessment areas in the Pennsylvania rated area.

Innovative or Flexible Lending Practices

C&N uses innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals and geographies throughout the Pennsylvania rated area. The First Time Homebuyer product, partnered with the First Front Door program by the FHLB Pittsburgh, specifically targets these Pennsylvania borrowers.

Furthermore, in response to severe storms and flooding occurring in Pennsylvania from August 10th through the 15th, in 2018, the bank developed a specific program available to all borrowers to help fund necessary repairs from damages incurred. This is an unsecured loan from \$2,500 to \$10,000, for terms up to 60 months, at a flat 6.75 percent interest, and no fees. C&N originated one loan under this program.

Community Development Loans

C&N has made a relatively high level of community development loans within the Pennsylvania rated area, particularly within the Non-MSA assessment area. The following table illustrates the bank’s community development lending activity by assessment area and by community development purpose. For details and examples of community development loans originated during the evaluation period, please refer to the individual assessment areas.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
PA Non-MSA	0	0	4	844	4	4,241	7	253	15	5,338
Williamsport MSA	0	0	0	0	0	0	5	3,924	5	3,924
Montgomery MD	6	811	2	2,208	0	0	3	4,743	11	7,762
Statewide Activities	9	661	0	0	0	0	1	60	10	721
Total	15	1,472	6	3,052	4	4,241	16	8,980	41	17,745
<i>Source Bank Data</i>										

During 2020 and 2021, the bank originated nine statewide loans supporting affordable housing projects. A majority of these loans were through a community development corporation lending arm that aggregates institutional monies to develop affordable housing units, with an emphasis on low- and moderate-income areas. These projects occurred in various areas throughout the Pennsylvania rated area, to include the City of Philadelphia.

INVESTMENT TEST

The Investment Test performance in the Pennsylvania rated area is “Low Satisfactory.” The Investment and Grant Activity criterion primarily supports this conclusion. The Investment Test performance includes more activities within the Non-MSA and Montgomery MD assessment areas.

Investment and Grant Activity

C&N has an adequate level of qualified community development investments and donations in the Pennsylvania rated area. C&N made 113 qualified investments and donations totaling \$12.6 million. By number, this level represents 93.4 percent of the bank-wide qualified investment activity. By dollar volume, however, this level represents 89.5 percent of the bank-wide qualified investment activity (\$14,115,000). The following table illustrates the bank’s qualified investment activity by assessment area and community development purpose. Additional details by year are contained within the sections for the individual assessment areas.

Community Development Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
PA Non-MSA	2	772	45	3,082	0	0	0	0	47	3,854
Williamsport MSA	5	559	8	553	0	0	0	0	13	1,113
Montgomery MD	3	1,558	43	2,251	0	0	2	750	48	4,558
Statewide Activities	3	2,698	2	410	0	0	0	0	5	3,108
Regional Activities	0	0	0	0	0	0	0	0	0	0
Total	13	5,587	98	6,296	0	0	2	750	113	12,633
<i>Source Bank Data</i>										

Responsiveness to Credit and Community Development Needs

C&N exhibits adequate responsiveness to credit and community economic development needs throughout its Pennsylvania rated area. Management directed the majority of the bank’s investments and grants, by number and dollar amount, to community services targeted to low- and moderate-income individuals.

Community Development Initiatives

The institution occasionally uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

The Service Test performance in the Pennsylvania rated area is “Low Satisfactory.” The Community Development Services criterion primarily supports this conclusion. The Service Test performance is consistent throughout the three Pennsylvania assessment areas.

Accessibility of Delivery Systems

The bank’s delivery systems are reasonably accessible to essentially all portions of the assessment area. C&N serves the Pennsylvania rated area with 28 full-service brick and mortar branches (excluding York and Lancaster). Alternative banking services include: online banking; mobile banking; electronic bill pay; peer-to-peer payment options; text (SMS) banking; telephone banking; personal financial management tools; and ATMs with deposit capability. Additional details of the bank’s branching and ATM distribution and alternative delivery systems are contained within the sections for the individual assessment areas.

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low-and moderate-income geographies and/or to low- and moderate-income individuals.

Since the previous CRA evaluation, C&N opened one branch, acquired four branches, and closed one branch in the Pennsylvania rated area. The bank maintained their moderate-income census tract branch location within the City of Williamsport. Additional details of changes in branch locations

are contained within the sections for the individual assessment areas. The following table illustrates the net effects of these changes, by assessment area:

Net Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Income Level of Census Tract (+/-)			
			Low	Moderate	Middle	Upper
PA Non-MSA	0	0	N/A	N/A	N/A	N/A
Williamsport MSA	0	1	N/A	N/A	-1	N/A
Montgomery MD	4	0	N/A	N/A	+2	+2
Total	4	1	N/A	N/A	+1	+2

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Branch hours are convenient and comparable to other local financial institutions. General banking hours are 8:30 AM to 5:00 PM, Monday through Friday, with extended hours on Thursdays and Fridays. The majority of full-service branches offer Saturday hours.

Community Development Services

The bank provided an adequate level of community development services in the Pennsylvania rated area during the evaluation period. The bank provided 91 instances of financial expertise, technical assistance, and financial education to many community development-related organizations and low- and moderate-income individuals. This is a decrease overall in community development services since the prior evaluation. The following table illustrates the bank’s community development services by assessment area and community development purpose. Additional details of the bank’s community development services are contained within the sections for the individual assessment areas.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
PA Non-MSA	0	21	20	0	41
Williamsport MSA	0	14	8	0	22
Montgomery MD	6	4	4	0	14
Statewide Activities	3	3	4	4	14
Total	9	42	36	4	91

Source Bank Data

Throughout the evaluation period, C&N Board members and management engaged in broader statewide service organizations that included all types of community development activities. For one example, a Board member remains the Director of a major emergency sustenance provider for the central Pennsylvania area. In another example, a Board member serves an organization as the Treasurer, which directs grants and other funds to low- and moderate-income areas to specific revitalization efforts.

Other Community Development Services

Interest Only Lawyers Trust Account (IOLTA) – In Pennsylvania, C&N provides IOLTAs to its customers. The purpose of the IOLTA is to provide funding for civil legal services for people who cannot afford legal services, projects to improve the administration of justice, and education of laypersons in law-related areas. This program provides legal services, health care facilities, and youth centers targeted to low- and moderate-income individuals and families. The bank maintains 81 IOLTAs totaling \$16.4 million.

As of January 2022, the bank collaborated with the FHLB of Pittsburgh’s *Home4Good program* to provide FHLB pledged monies to support reduction of homelessness through organizations located in key areas. The bank administers the program through localized organizations in these areas, making distributions on behalf of the FHLB as they receive applications for needs assessed. The following table illustrates where these funds will go, by the quantity of eligible organizations:

FHLB <i>Home4Good</i> Program		
Assessment Area	#	\$(000s)
Pennsylvania Rated Area – Statewide	21	833.6
Pennsylvania Non-MSA areas	1	100.3
Williamsport MSA	2	45.0
Montgomery MD	8	130.2
Total	32	1,109.1

PENNSYLVANIA NON-METROPOLITAN AREAS – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PENNSYLVANIA NON-METROPOLITAN AREAS

Economic and Demographic Data

This assessment area includes the entire counties of Tioga, Bradford, Sullivan, Potter, Cameron, and McKean. Each of these counties comprise of areas not within any metropolitan statistical areas. C&N continues to operate 19 branches within this assessment area.

The Non-MSA area includes 45 census tracts. The demographics of these census tracts include:

- 1 low-income tract;
- 1 moderate-income tract;
- 40 middle-income tracts; and,
- 3 upper-income tracts.

Examiners observe that the single low- and moderate-income census tracts abut one another within McKean County. The following table illustrates select demographic characteristics of the Non-MSA area.

Demographic Information of the Assessment Area						
Assessment Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	45	2.2	2.2	88.9	6.7	0.0
Population by Geography	176,023	1.8	1.5	89.6	7.1	0.0
Housing Units by Geography	96,195	1.7	1.3	91.2	5.9	0.0
Owner-Occupied Units by Geography	52,233	0.9	1.0	89.9	8.2	0.0
Occupied Rental Units by Geography	17,644	5.7	3.3	87.0	4.0	0.0
Vacant Units by Geography	26,318	0.6	0.3	96.5	2.5	0.0
Businesses by Geography	11,384	3.4	1.4	87.4	7.8	0.0
Farms by Geography	779	0.3	0.1	93.3	6.3	0.0
Family Distribution by Income Level	46,217	19.4	18.8	22.2	39.6	0.0
Household Distribution by Income Level	69,877	23.4	16.2	18.3	42.2	0.0
Median Family Income Non-MSAs - PA		\$56,172	Median Housing Value			\$113,828
Median Gross Rent		\$657	Families Below Poverty Level			10.2%
<small>Source 2015 ACS and 2020 D&B Data; Due to rounding, totals may not equal 100.0%</small> <small>(*) The NA category consists of geographies that have not been assigned an income classification.</small>						

There are 96,195 housing units. Of these, 54.3 percent are owner-occupied and 18.3 percent are occupied rental units. A significantly high volume are vacant, at 27.4 percent of the total housing

stock. Examiners understand this area to be rural and typically a destination for vacation goers. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Examiners used the 2019 and 2020 FFIEC-updated Median Family Income (MFI) to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
PA NA Median Family Income (99999)				
2019 (\$63,200)	<\$31,600	\$31,600 to <\$50,560	\$50,560 to <\$75,840	≥\$75,840
2020 (\$64,900)	<\$32,450	\$32,450 to <\$51,920	\$51,920 to <\$77,880	≥\$77,880
<i>Source FFIEC</i>				

According to 2020 D&B data, there were 11,384 businesses. GARs for these businesses are below.

- 82.4 percent have \$1.0 million or less.
- 4.3 percent have more than \$1.0 million.
- 13.3 percent have unknown revenues.

Service industries represent the largest portion of businesses at 36.2 percent; followed by non-classifiable establishments (16.1 percent); retail trade (12.8 percent); and agriculture, forestry, & fishing (6.4 percent). In addition, 63.2 percent of area businesses have four or fewer employees, and 87.9 percent operate from a single location.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that Pennsylvania’s statewide unemployment rate was 5.7 percent as of November 2021. The following table demonstrates the current and historical employment trends for the area, by county:

Unemployment Rates by County			
County	November 2021	Average of 2020	Average of 2019
Bradford County, PA	3.6	7.5	4.5
Cameron County, PA	5.7	12.6	6.1
McKean County, PA	4.7	9.9	5.4
Potter County, PA	4.4	9.3	6.0
Sullivan County, PA	4.6	8.5	5.3
Tioga County, PA	4.5	9.0	5.4
<i>Source Bureau of Labor Statistics</i>			

Each Non-MSA County 2020 average was demonstrated a near historically high unemployment rate. Currently, as of November 2021, each County is now well below their pre-pandemic averages as shown in the 2019 Average column. As the data suggests, employment rates are normalizing into the later period of this evaluation.

Competition

The assessment area is competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 11 financial institutions operating 69 branches within the assessment area. Of these institutions, C&N ranked 1st with a 28.4 percent deposit market share.

There is a relatively high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 216 lenders reported 4,327 residential mortgage loans originated or purchased. C&N ranked 1st out of this group of lenders, with a market share of 20.6 percent.

There is a moderate level of competition for small business loans. In 2019, 70 lenders reported 2,450 small business loans originated or purchased. C&N ranked 3rd out of this group of lenders, with a market share of 8.3 percent. C&N demonstrates an exceptionally high rate of small business lending, trailing only two larger national financial institutions: American Express NB (12.0 percent) and JP Morgan Chase Bank NA (10.3 percent).

CONCLUSIONS ON PERFORMANCE CRITERIA IN PENNSYLVANIA NON-METROPOLITAN AREAS

LENDING TEST

C&N demonstrated adequate performance under the Lending Test. The Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Lending performance supports this conclusion. For this assessment area, examiners give more weight to the Borrower Profile performance over the Geographic Distribution, based upon the limited presence of low- and moderate-income census tracts.

Lending Activity

The bank's lending levels reflect good responsiveness to the Non-MSA areas credit needs. During the review period (2018-2020), the bank originated 3,150 home mortgage, small business, and small farm loans totaling approximately \$336.0 million inside the Non-MSA area. This total includes 2,060 home mortgage loans totaling approximately \$259.5 million, 1,001 small business loans totaling approximately \$73.5 million, and 89 small farm loans totaling approximately \$3.1 million. The bank increased home mortgage and small business activity from 2019 to 2020.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Non-MSA area. The bank's adequate performance of home mortgage and small business lending supports this

conclusion. Examiners focused on the percentage by number of loans in the low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Non-MSA area. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the bank did not make any loans within the single low- and moderate-income census tract. As observed, these two census tracts abut one another within McKean County, encompassing the City of Bradford. The bank's branch location is located approximately 30 miles from Bradford. While the bank can serve the County from this location, the expectation to draw customers from significant distances is low. The demographic data from these low- and moderate-income areas further illustrates the difficulties faced in making loans. First, 56.3 percent of total housing stock are rental units. Second, 35.6 percent of total housing stock are owner-occupied. And third, as a final point, the aggregate performance of other lenders present in the area demonstrated less than 1.0 percent of lending for 2019 and 2020, with an overall trend of decreased activity in these areas from 2019 to 2020.

Geographic Distribution of Home Mortgage Loans							
Assessment Area: Non-MSA							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2019	0.9	0.6	0	0.0	0	0.0
	2020	0.9	0.4	0	0.0	0	0.0
Moderate							
	2019	1.0	0.7	0	0.0	0	0.0
	2020	1.0	0.6	0	0.0	0	0.0
Middle							
	2019	89.9	90.9	581	91.5	63,367	89.7
	2020	89.9	91.2	817	91.6	117,875	90.5
Upper							
	2019	8.2	7.8	54	8.5	7,282	10.3
	2020	8.2	7.8	75	8.4	12,445	9.6
Not Available							
	2019	0.0	0.0	0	0.0	0	0.0
	2020	0.0	0.0	0	0.0	0	0.0
Totals							
	2019	100.0	100.0	635	100.0	70,649	100.0
	2020	100.0	100.0	892	100.0	130,320	100.0

*Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the Non-MSA area. Examiners compared the bank’s small business lending to demographic and aggregate lending data.

As shown in the following table, the bank made one loan to a small business within the single low-income census tract for 2020, and none within the moderate-income census tract. Similarly, to the explanation for home mortgage lending, the expectation for the bank to make loans at significant distances from their branch location in relation to the low- and moderate-income census tracts is low. The demographic data from these low- and moderate-income areas further illustrates the difficulties faced in making loans. First, 57.8 percent of businesses have fewer than 4 employees. Second, 57.6 percent are unclassified as either a proprietorship, partnership, or corporation. These two observations likely indicate a large cohort of sole-proprietorships, as 47.6 percent of businesses in this area are service related; typically, cottage industries have one-owner, who are the only employee, providing a service. The necessity of credit based on these indicators may be inherently low.

Geographic Distribution of Small Business Loans						
Assessment Area: Non-MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.3	2.0	0	0.0	0	0.0
2020	3.4	--	1	0.2	27	0.1
Moderate						
2019	1.4	0.8	0	0.0	0	0.0
2020	1.4	--	0	0.0	0	0.0
Middle						
2019	87.9	88.2	172	95.6	14,635	98.0
2020	87.4	--	622	95.5	41,143	94.8
Upper						
2019	7.4	9.1	8	4.4	302	2.0
2020	7.8	--	28	4.3	2,216	5.1
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	180	100.0	14,937	100.0
2020	100.0	--	651	100.0	43,386	100.0

*Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the Non-MSA area. The bank's adequate performance of home mortgage lending and good performance of small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is adequate. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the distribution of home mortgage loans to low-income borrowers exceeds aggregate lending data in 2019. In 2020, the bank's level of lending activity to low-income borrowers decreased. Although the bank's level of lending activity is well below demographic data, a low-income family in the assessment area, with an income less than \$32,450, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$113,828. In 2019, the distribution of home mortgage loans to moderate-income borrowers is the same as aggregate lending data. The bank's level of lending activity to moderate-income borrowers decreased, as a proportion of total lending, in 2020. However, the bank did increase their number of loans to moderate-income borrowers.

Examiners considered the economic impacts of the COVID-19 pandemic in 2020, especially to low- and moderate-income borrowers. Peer aggregate performance data showed a decline overall in both income categories.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.4	7.7	55	8.7	2,470	3.5
2020	19.4	5.1	34	3.8	2,037	1.6
Moderate						
2019	18.8	19.1	121	19.1	9,709	13.7
2020	18.8	17.3	136	15.2	13,631	10.5
Middle						
2019	22.2	24.1	147	23.2	14,014	19.8
2020	22.2	23.1	215	24.1	25,714	19.7
Upper						
2019	39.6	37.9	289	45.5	41,004	58.0
2020	39.6	39.1	470	52.7	83,834	64.3
Not Available						
2019	0.0	11.2	23	3.6	3,451	4.9
2020	0.0	15.5	37	4.1	5,104	3.9
Totals						
2019	100.0	100.0	635	100.0	70,649	100.0
2020	100.0	100.0	892	100.0	130,320	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects good penetration of loans to businesses with GARs less than or equal to \$1.0 million. Examiners compared the bank’s small business lending to demographic and aggregate lending data.

As shown in the following table, the bank’s performance of lending to businesses with GARs less than or equal to \$1.0 million exceeds aggregate lending data in 2019. The bank’s level of lending activity to businesses with GARs less than or equal to \$1.0 million increased significantly, by number, in 2020. The significant increase of loans to businesses with revenue not available is due to SBA PPP lending that did not require reported revenues.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Non-MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	80.3	43.5	101	56.1	5,411	36.2
2020	82.4	--	319	49.0	10,003	23.1
>\$1,000,000						
2019	5.0	--	76	42.2	9,494	63.6
2020	4.3	--	170	26.1	26,887	62.0
Revenue Not Available						
2019	14.8	--	3	1.7	32	0.2
2020	13.4	--	162	24.9	6,496	15.0
Totals						
2019	100.0	100.0	180	100.0	14,937	100.0
2020	100.0	--	651	100.0	43,386	100.0

*Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Innovative or Flexible Lending Practices

C&N uses innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals and geographies throughout the Non-MSA area.

Community Development Loans

C&N made a relatively high level of community development loans in the Non-MSA area. The number and dollar volume of community development loans has increased since the previous CRA evaluation. Specifically, C&N’s previous CRA evaluation included 8 community development loans totaling approximately \$628,000 compared to the current evaluation where the bank originated 15 community development loans totaling \$5.4 million. The following table illustrates the bank’s community development lending activity in the Non-MSA area by activity year and by community development purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
6/18/2018-12/31/2018	0	0	1	200	0	0	1	10	2	210
2019	0	0	2	620	1	3,905	0	0	3	4,525
2020	0	0	1	24	2	63	4	126	7	214
2021	0	0	0	0	1	273	2	117	3	390
2022 YTD	0	0	0	0	0	0	0	0	0	0
Total	0	0	4	844	4	4,241	7	253	15	5,339
<i>Source Bank Data</i>										

Below are examples of the bank’s community development loans that benefit the Non-MSA area:

In 2019, C&N provided a \$3.9 million loan to a local vocational training and job placement center. This organization, serving the Non-MSA area and in particular Sullivan County, aides in economic development activities by direct-to-hire training and job placement for key industries seen to grow and replace an aging workforce.

In both 2020 and 2021, in coordination with the SBA PPP lending, C&N provided two \$46,000 loans to support an emergency ambulance service that serves the entirety of Cameron County. Without the stabilizing credit during the stresses of a pandemic may have left the already distressed and underserved community without essential emergency services.

INVESTMENT TEST

C&N demonstrated adequate performance under the Investment Test. The Investment and Grant Activity criterion primarily supports this conclusion.

Investment and Grant Activity

C&N has an adequate level of qualified community development investments and donations in the Non-MSA area. C&N provided 47 equity investments and donations totaling \$3.9 million. This total includes \$392,000 of qualifying contributions to local schools through the Educational Improvement Tax Credit (EITC) Program. The following table illustrates the bank’s qualified donations by activity year and community development purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
6/18/2018-12/31/2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	2	1,365	0	0	0	0	2	1,365
2020	0	0	0	0	0	0	0	0	0	0
2021	1	492	3	1,325	0	0	0	0	4	1,817
2022 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	1	492	5	2,690	0	0	0	0	6	3,182
Qualified Grants & Donations	1	280	40	392	0	0	0	0	41	672
Total	2	772	45	3,082	0	0	0	0	47	3,854

Source Bank Data

Below are examples of the bank’s qualified investments and donations:

From 2019 to 2021, C&N purchased six debt equities in Bradford County. Five of these are for supporting area school districts with significant low- and moderate-income families present. For example, in 2019, C&N purchased a debt equity for \$925,000 from a local area school district to fund ongoing obligations and operations to maintain a level of expected services for the district, which includes approximately 1,500 youths attending two elementary schools, one middle school, and one high school.

As stated previously, C&N made qualifying contributions through the Pennsylvania Department of Community and Economic Development’s EITC Program. The contributions provide funds to scholarship organizations, educational improvement organizations, and pre-kindergarten scholarship organizations that benefit local schools and assist low- and moderate-income youth with the cost of attending school. Within the Non-MSA area, EITC contributions totaled \$392,000.

C&N also donated bank-owned property in Towanda, valued at \$280,000, to a combination affordable housing and community service organization, in order to expand services offered. Trehab Community Action Agency serves the Northern Tier counties, including portions of the Non-MSA area, since circa 1970. The agency’s mission is to serve those low- and moderate-income individuals struggling with drug and alcohol addiction to direct them to treatment programs, while offering affordable housing accommodations. Beyond this mission, they also offer workforce development, rehabilitation and update services to older housing stock (i.e. weatherization), and transportation to and from service groups and employment.

Responsiveness to Credit and Community Development Needs

C&N exhibits adequate responsiveness to credit and community economic development needs throughout the Non-MSA area. Management directed the majority of the bank’s investments and grants, by number and dollar amount, to community services targeted to low- and moderate-income individuals.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. C&N investments include both monetary and cash donations, while also supporting area school districts with municipal bond purchases.

SERVICE TEST

C&N demonstrated adequate performance under the Service Test. The Community Development Services criterion primarily supports this conclusion.

Accessibility of Delivery Systems

The bank’s delivery systems are reasonably accessible to essentially all portions of the Non-MSA area. C&N serves the assessment area with 19 full-service brick and mortar branches. Alternative banking services include: online banking; mobile banking; electronic bill pay; peer-to-peer payment options; text (SMS) banking; telephone banking; personal financial management tools; and ATMs with deposit capability. Currently, there are no branch locations within the sole low- or moderate-income tracts within the City of Bradford, McKean County. The following table illustrates the distribution of branch and ATM locations comparatively to the census tract and demographic data

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	1	2.2	3,168	1.8	0	0.0	0	0.0
Moderate	1	2.2	2,640	1.5	0	0.0	0	0.0
Middle	40	88.8	157,717	89.6	18	94.7	20*	95.2
Upper	3	6.7	12,498	7.1	1	5.3	1	4.8
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	45	100.0	176,023	100.0	19	100.0	21	100.0

Source 2015 ACS Data; Bank Data; () Denotes the 6 proprietary and only stand-alone ATMs the bank operates.*

Changes in Branch Locations

C&N did not have significant branch changes occur within the Non-MSA area. The Towanda branch in Bradford County relocated within the same town from 428 Main St. to 423/433 Reuter Blvd. on June 29, 2020. This relocation does not adversely affect the accessibility of the bank’s delivery systems.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Branch hours are convenient and comparable to other local financial institutions. General banking hours are 8:30 AM to 4:30 PM, Monday through Friday, with extended hours on Fridays. The majority (11 of 18) of full-service branches offer Saturday hours.

Community Development Services

The bank provides an adequate level of community development services in the Non-MSA area during the evaluation period. The bank provided 49 instances of financial expertise, technical assistance, and financial education to community development-related organizations and low- and moderate-income individuals. This is a decrease since the previous evaluation, where the bank provided 296 instances of community development services. The bank attributes the decline of services to be a combination of pandemic mitigation constraints and a difference of accounting for instances. The following table illustrates the bank’s community development service instances by year and community development purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
6/18/2018-12/31/2018	0	3	5	0	8
2019	0	8	5	0	13
2020	0	4	6	0	10
2021	0	7	5	0	12
2022 YTD	0	2	4	0	6
Total	0	24	25	0	49

Source Bank Data

The following is a couple examples of the community development services employees and Directors provided during the evaluation period.

An officer participates on a regional planning and development commission. This commission helps small businesses within the region by providing technical assistance and facilitating financing opportunities. This commission also targets startup firms in order to see success and stability of area employment.

A senior manager of C&N serves as a finance specialist on a community foundation committee. The community foundation provides grants and other philanthropic endeavors throughout the assessment area. The committee distributes funds to essential community service providers and area institutions in direct support of low- and moderate-income families and individuals.

Other Community Development Services

As noted previously, C&N provides IOLTAs to its customers in Pennsylvania, including the PA Non-MSA AA. In addition, C&N administers the Route 49 Corridor Enterprise Zone Revolving Loan Fund for the Tioga County Development Corporation. The bank provides no cost servicing, such as processing loan payments and complete state reporting requirements. The Route 49 Corridor is an enterprise development zone designed to promote job growth and help municipalities to take advantage of business expansion opportunities by forming public and private partnerships. C&N services approximately 28 loans worth a total \$1.2 million, currently.

WILLIAMSPORT, PA MSA #48700 – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WILLIAMSPORT, PA MSA #48700

Economic and Demographic Data

This assessment area includes the entirety of Lycoming County, which is the sole County comprising the Williamsport MSA. C&N operates five branches within this assessment area.

The Williamsport MSA area includes 29 census tracts. The demographics of these census tracts include:

- 2 low-income tracts;
- 4 moderate-income tracts;
- 21 middle-income tracts; and,
- 2 upper-income tracts.

The following table illustrates select demographic characteristics of the Williamsport MSA area.

Demographic Information of the Assessment Area						
Assessment Area: Williamsport MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	29	6.9	13.8	72.4	6.9	0.0
Population by Geography	116,656	5.8	11.7	75.9	6.6	0.0
Housing Units by Geography	52,641	5.2	11.5	76.8	6.4	0.0
Owner-Occupied Units by Geography	32,187	1.4	7.2	84.3	7.0	0.0
Occupied Rental Units by Geography	13,719	12.9	19.7	61.3	6.2	0.0
Vacant Units by Geography	6,735	7.9	15.6	72.9	3.7	0.0
Businesses by Geography	9,149	5.0	16.6	71.4	7.0	0.0
Farms by Geography	371	0.5	4.3	90.6	4.6	0.0
Family Distribution by Income Level	29,537	20.0	18.7	22.1	39.2	0.0
Household Distribution by Income Level	45,906	23.7	16.5	17.6	42.1	0.0
Median Family Income MSA - 48700 Williamsport, PA MSA		\$60,191	Median Housing Value			\$135,328
Median Gross Rent		\$719	Families Below Poverty Level			10.2%
<small>Source 2015 ACS and 2020 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.</small>						

There are 52,641 housing units. Of these, 61.1 percent are owner-occupied, 26.1 percent are occupied rental units, and 12.8 percent are vacant units. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Examiners used the 2019 and 2020 FFIEC-updated MFI to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Williamsport, PA MSA Median Family Income (48700)				
2019 (\$64,000)	<\$32,000	\$32,000 to <\$51,200	\$51,200 to <\$76,800	≥\$76,800
2020 (\$64,800)	<\$32,400	\$32,400 to <\$51,840	\$51,840 to <\$77,760	≥\$77,760
<i>Source FFIEC</i>				

According to 2020 D&B data, there were 9,149 businesses. GARs for these businesses are below.

- 83.8 percent have \$1.0 million or less.
- 4.5 percent have more than \$1.0 million.
- 11.7 percent have unknown revenues.

Service industries represent the largest portion of businesses at 36.7 percent; followed by non-classifiable establishments (17.4 percent); retail trade (13.2 percent); and finance, insurance, and real estate (8.4 percent). In addition, 61.9 percent of area businesses have four or fewer employees, and 88.7 percent operate from a single location.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that Pennsylvania’s statewide unemployment rate was 5.7 percent as of November 2021. Lycoming County’s 2020 average was 8.8 percent; comparatively, in 2019 the average was 4.9 percent. Currently, as of November 2021 the rate is 4.5 percent. Unemployment rose steeply during April through August 2020 due to the COVID-19 pandemic. As the data suggests, employment rates are normalizing into the later period of this evaluation.

Competition

The assessment area is competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 13 financial institutions operating 47 branches within the assessment area. Of these institutions, C&N ranked 5th with a 7.3 percent deposit market share.

There is a relatively high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 177 lenders reported 4,052 residential mortgage loans originated or purchased. C&N ranked 7th out of this group of lenders, with a market share of 3.5 percent. The top three lenders in the area capture 37.2 percent of total mortgage lending. These consist of Jersey Shore State Bank (20.1), The Muncy Bank and Trust Company (9.4), and Primelending – Plains Capital (7.7).

There is a moderate level of competition for small business loans. In 2019, 62 lenders reported 1,957 small business loans originated or purchased. C&N ranked 23rd out of this group of lenders,

with a market share of 1.4 percent. The three most prominent small business lenders accounted for 33.1 percent of total market share.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WILLIAMSPORT, PA MSA #48700

LENDING TEST

C&N demonstrated adequate performance under the Lending Test. The Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Lending performance supports this conclusion.

Lending Activity

The bank's lending levels reflect good responsiveness to the Williamsport MSA areas credit needs. During the review period (2018-2020), the bank originated 507 home mortgage, small business, and small farm loans totaling approximately \$68.3 million inside the Williamsport MSA area. This total includes 336 home mortgage loans totaling approximately \$51.5 million, 169 small business loans totaling approximately \$16.7 million, and 2 small farm loans totaling approximately \$195,000. The bank increased home mortgage and small business activity from 2019 to 2020.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Williamsport MSA area. The bank's adequate performance of home mortgage and good performance of small business lending supports this conclusion. Examiners focused on the percentage by number of loans in the low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Williamsport MSA area. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the bank did not make any loans in low-income areas for either 2019 or 2020. The demographic data illustrates the difficulties faced in making loans within low-income census tracts. First, the quantity of areas (2) inherently limits opportunities; these tracts themselves are contiguous with one another within the City of Williamsport. Second, only 16.6 percent of housing stock are owner-occupied, while 64.2 percent are rental units; 19.3 percent of total housing units remain vacant. And third, as a final point, the aggregate performance of other lenders present in the area demonstrated 1.5 and 1.1 percent of lending, respectively for 2019 and 2020.

The geographic distribution of home mortgage loans in moderate-income census tracts was slightly less than aggregate lending data in 2019. In 2020, the bank's level of lending activity decreased proportionally in moderate-income census tracts and was below demographic data, but reflected a similar by number volume.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Williamsport MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.4	1.5	0	0.0	0	0.0
2020	1.4	1.1	0	0.0	0	0.0
Moderate						
2019	7.2	7.1	5	5.0	286	2.2
2020	7.2	6.5	4	2.8	370	1.4
Middle						
2019	84.3	83.8	88	87.1	11,596	89.8
2020	84.3	83.4	126	88.7	22,142	83.6
Upper						
2019	7.0	7.7	8	7.9	1,028	8.0
2020	7.0	9.0	12	8.5	3,985	15.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	101	100.0	12,910	100.0
2020	100.0	100.0	142	100.0	26,497	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the Williamsport MSA area. Examiners compared the bank's small business lending to demographic and aggregate lending data.

As shown in the following table, the geographic distribution of small business loans in low-income census tracts exceeded aggregate lending data in 2019. In 2020, the bank's level of lending activity decreased proportionally in low-income census tracts, but overall increased by volume. The geographic distribution of small business loans in moderate-income census tracts was slightly below aggregate lending data in 2019. Although the bank's level of lending activity increased proportionally and by volume in moderate-income census tracts in 2020, it remained slightly below demographic data.

Geographic Distribution of Small Business Loans						
Assessment Area: Williamsport MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	5.3	4.4	3	11.1	991	21.5
2020	5.0	--	9	8.7	1,664	17.8
Moderate						
2019	16.4	15.6	4	14.8	1,189	25.8
2020	16.6	--	17	16.3	849	9.1
Middle						
2019	71.7	71.8	19	70.4	2,431	52.7
2020	71.4	--	74	71.2	6,720	71.8
Upper						
2019	6.6	8.2	1	3.7	2	0.0
2020	7.0	--	4	3.8	128	1.4
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	27	100.0	4,613	100.0
2020	100.0	--	104	100.0	9,361	100.0

*Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the Williamsport MSA area. The bank's adequate performance of home mortgage and good performance of small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is adequate. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the distribution of home mortgage loans to low-income borrowers remained below aggregate lending data in 2019 and 2020. Although the bank's level of lending activity is well below demographic data, a low-income family in the assessment area, with an income less than \$32,400, would not likely qualify for a mortgage under conventional underwriting

standards, especially considering the median housing value of \$135,328. In 2019, the distribution of home mortgage loans to moderate-income borrowers is the same as aggregate lending data. The bank's level of lending activity to moderate-income borrowers remained below aggregate lending data for 2019 and 2020. However, the bank did increase proportionally and by volume to these borrowers in 2020. Examiners considered the economic impacts of the COVID-19 pandemic in 2020, especially to low- and moderate-income borrowers. Peer aggregate performance data showed a decline overall in both income categories.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Williamsport MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.0	6.2	4	4.0	246	1.9
2020	20.0	4.6	3	2.1	78	0.3
Moderate						
2019	18.7	17.3	12	11.9	1,011	7.8
2020	18.7	15.6	20	14.1	1,831	6.9
Middle						
2019	22.1	22.7	22	21.8	1,928	14.9
2020	22.1	22.6	24	16.9	3,202	12.1
Upper						
2019	39.2	40.1	56	55.4	9,074	70.3
2020	39.2	42.0	89	62.7	20,676	78.0
Not Available						
2019	0.0	13.8	7	6.9	651	5.0
2020	0.0	15.2	6	4.2	710	2.7
Totals						
2019	100.0	100.0	101	100.0	12,910	100.0
2020	100.0	100.0	142	100.0	26,496	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects good penetration of loans to businesses with GARs less than or equal to \$1.0 million. Examiners compared the bank's small business lending to demographic and aggregate lending data.

As shown in the following table, the bank's performance of lending to businesses with GARs less than or equal to \$1.0 million exceeds aggregate lending data in 2019. The bank's level of lending activity to businesses with GARs less than or equal to \$1.0 million increased significantly, by

number, in 2020. The significant increase of loans to businesses with revenue not available is due to the PPP lending through the SBA, which did not require reported revenues.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Williamsport MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	81.5	39.1	16	59.3	2,408	52.2
2020	83.8	--	52	50.0	2,363	25.2
>\$1,000,000						
2019	5.4	--	10	37.0	2,195	47.6
2020	4.5	--	12	11.5	4,457	47.6
Revenue Not Available						
2019	13.2	--	1	3.7	10	0.2
2020	11.7	--	40	38.5	2,541	27.1
Totals						
2019	100.0	100.0	27	100.0	4,613	100.0
2020	100.0	--	104	100.0	9,361	100.0

*Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Innovative or Flexible Lending Practices

C&N uses innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals and geographies throughout the Williamsport MSA area.

Community Development Loans

C&N made an adequate level of community development loans in the Williamsport MSA area. The number and dollar volume of community development loans has increased since the previous CRA evaluation. Specifically, C&N’s previous CRA evaluation included 3 community development loans totaling approximately \$5.2 million compared to the current evaluation where the bank originated 5 community development loans totaling \$3.9 million. The following table illustrates the bank’s community development lending activity in the Williamsport MSA area by activity year and by community development purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
6/18/2018-12/31/2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	3	2,639	3	2,639
2021	0	0	0	0	0	0	2	1,285	2	1,285
2022 YTD	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	5	3,924	5	3,924
<i>Source Bank Data</i>										

As an example of the bank’s community development loans that benefit the Williamsport MSA area, in 2020 and in coordination with the SBA PPP lending, C&N provided a \$1.2 million loan to support a local health clinic. Without the stabilizing credit during the stressors of a pandemic may have left the low-income community without essential health services. This loan revitalized and stabilized the low-income community.

INVESTMENT TEST

C&N demonstrated adequate performance under the Investment Test. The Investment and Grant Activity criterion primarily supports this conclusion.

Investment and Grant Activity

C&N has an adequate level of qualified community development investments and donations in the Williamsport MSA area. C&N provided 13 investments and donations totaling \$1.1 million. The following table illustrates the bank’s qualified donations by activity year and community development purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
6/18/2018-12/31/2018	0	0	0	0	0	0	0	0	0	0
2019	2	235	1	500	0	0	0	0	3	735
2020	0	0	0	0	0	0	0	0	0	0
2021	3	324	0	0	0	0	0	0	3	324
2022 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	5	559	1	500	0	0	0	0	6	1,059
Qualified Grants & Donations	0	0	7	53	0	0	0	0	7	53
Total	5	559	8	553	0	0	0	0	13	1,112
<i>Source Bank Data</i>										

Below are examples of the bank's qualified investments and donations:

In 2019, C&N purchased a debt equity within Lycoming County for \$500,000 from a local area school district with significant low- and moderate-income families present, located in low- and moderate-income areas. The municipal bond funds will go to fund ongoing obligations and building improvements for the district, which includes approximately 4,865 youths attending four elementary schools, three middle schools, and one high school.

C&N also made mortgage backed securities purchases that focused on affordable housing efforts in the Williamsport MSA area. From 2019 through 2021, the bank purchased \$429,270 in securities to support lending efforts to low- and moderate-income borrowers.

As stated previously, C&N made qualifying contributions through the Pennsylvania Department of Community and Economic Development's EITC Program. The contributions provide funds to scholarship organizations, educational improvement organizations, and pre-kindergarten scholarship organizations that benefit local schools and assist low- and moderate-income youth with the cost of attending school. Within the Williamsport MSA area, EITC contributions totaled \$53,250.

Responsiveness to Credit and Community Development Needs

C&N exhibits adequate responsiveness to credit and community economic development needs throughout the Williamsport MSA area. Management directed the majority of the bank's investments and grants, by number and dollar amount, to community services targeted to low- and moderate-income individuals.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. C&N investments include both monetary and cash donations, while also supporting area school districts with municipal bond purchases.

SERVICE TEST

C&N demonstrated adequate performance under the Service Test. The Community Development Services criterion primarily supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are reasonably accessible to essentially all portions of the Williamsport MSA area. C&N serves the assessment area with five full-service brick and mortar branches. Alternative banking services include: online banking; mobile banking; electronic bill pay; peer-to-peer payment options; text (SMS) banking; telephone banking; personal financial management tools; and ATMs with deposit capability. Currently, one branch location resides in a moderate-income census tract, within the City of Williamsport.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	2	6.9	6,766	5.8	0	0.0	0	0.0
Moderate	4	13.8	13,649	11.7	1	20.0	1	25.0
Middle	21	72.4	88,542	75.9	4	80.0	3	75.0
Upper	2	6.9	7,699	6.6	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	29	100.0	116,656	100.0	5	100.0	4*	100.0

Source 2015 ACS Data; Bank Data; () Denotes no stand-alone ATMs the bank operates in this area.*

Changes in Branch Locations

C&N closed one branch in the Williamsport MSA area, within the town of Ralston. This was a middle-income census tract area. This closure does not adversely affect the accessibility of the banks delivery systems.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Branch hours are convenient and comparable to other local financial institutions. General banking hours are 8:30 AM to 4:30 PM, Monday through Friday, with extended hours on Fridays. Two of the five full-service branches offer Saturday hours, which one is in the City of Williamsport and less than 4 miles from the moderate-income area branch location.

Community Development Services

The bank provides an adequate level of community development services in the Williamsport MSA area during the evaluation period. The bank provided 28 instances of financial expertise, technical assistance, and financial education to community development-related organizations and low- and moderate-income individuals. This is a decrease since the previous evaluation, where the bank provided 177 instances of community development services. The bank attributes the decline of services to be a combination of pandemic mitigation constraints and a difference of accounting for instances. The following table illustrates the bank's community development service instances by year and community development purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
6/18/2018-12/31/2018	0	1	2	0	3
2019	0	5	2	0	7
2020	0	2	2	0	4
2021	0	9	2	0	11
2022 YTD	0	1	2	0	3
Total	0	18	10	0	28
<i>Source Bank Data</i>					

As an example of services provided, two bank personnel engaged in the Teach Kids to Save program within three significant low- and moderate-income school district for 2019. Due to pandemic constraints in 2021, C&N personnel performed a similar outreach under this program by hosting a virtual event.

**MONTGOMERY COUNTY-BUCKS COUNTY-CHESTER COUNTY, PA MD
#33874 – Limited-Scope Review**

**CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-
SCOPE ASSESSMENT AREAS**

Montgomery County-Bucks County-Chester County, PA MD #33874

Examiners performed a limited-scope review to evaluate and rate the bank’s CRA performance in the Montgomery MD area. This assessment area includes the entirety of Bucks, Chester, and Montgomery Counties. C&N operates four branches in this assessment area. The following table shows loan, investment, and service activity within the assessment area. Lending activity is from 2018 through 2020, while community development activity is from June 18, 2018 through January 31, 2022. The bank’s Lending Test performance within the Montgomery MD area is consistent with the overall performance. The bank’s Investment Test performance is consistent with the overall performance. Finally, the Service Test performance is consistent with overall performance.

Activity	#	\$ (000s)
Home Mortgage Loans	103	34,600
Small Business Loans	535	68,230
Small Farm Loans	1	79
Community Development Loans	11	7,762
Investments	9	3,943
Donations	39	616
Community Development Services	14	

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Montgomery MD						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.6	1.6	0	0.0	0	0.0
2020	1.6	1.3	0	0.0	0	0.0
Moderate						
2019	16.4	16.3	6	46.2	935	22.3
2020	16.4	14.4	7	7.8	1,856	6.1
Middle						
2019	49.9	49.7	3	23.1	636	15.2
2020	49.9	49.0	46	51.1	16,597	54.6
Upper						
2019	32.2	32.4	4	30.8	2,615	62.5
2020	32.2	35.2	37	41.1	11,964	39.3
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	13	100.0	4,185	100.0
2020	100.0	100.0	90	100.0	30,416	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Geographic Distribution of Small Business Loans						
Assessment Area: Montgomery MD						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.5	2.2	0	0.0	0	0.0
2020	2.5	--	8	1.5	631	1.0
Moderate						
2019	14.6	15.5	2	16.7	819	30.8
2020	14.6	--	73	14.0	11,741	17.9
Middle						
2019	48.1	48.5	3	25.0	1,004	37.7
2020	47.9	--	251	48.0	32,755	50.0
Upper						
2019	34.7	33.8	7	58.3	838	31.5
2020	34.9	--	191	36.5	20,442	31.2
Not Available						
2019	0.0	0.1	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	12	100.0	2,661	100.0
2020	100.0	--	523	100.0	65,569	100.0
<i>Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Montgomery MD						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.0	9.6	0	0.0	0	0.0
2020	20.0	8.2	5	5.6	964	3.2
Moderate						
2019	18.3	20.2	2	15.4	444	10.6
2020	18.3	20.3	15	16.7	4,013	13.2
Middle						
2019	22.0	23.9	1	7.7	265	6.3
2020	22.0	24.4	12	13.3	3,472	11.4
Upper						
2019	39.7	34.7	3	23.1	1,113	26.6
2020	39.7	34.4	38	42.2	13,133	43.2
Not Available						
2019	0.0	11.6	7	53.8	2,364	56.5
2020	0.0	12.7	20	22.2	8,834	29.0
Totals						
2019	100.0	100.0	13	100.0	4,185	100.0
2020	100.0	100.0	90	100.0	30,416	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Montgomery MD						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.8	45.9	10	83.3	2,428	91.2
2020	89.1	--	192	36.7	12,980	19.8
>\$1,000,000						
2019	5.6	--	2	16.7	233	8.8
2020	4.5	--	151	28.9	39,159	59.7
Revenue Not Available						
2019	7.6	--	0	0.0	0	0.0
2020	6.4	--	180	34.4	13,430	20.5
Totals						
2019	100.0	100.0	12	100.0	2,661	100.0
2020	100.0	--	523	100.0	65,569	100.0
<i>Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

STATE OF NEW YORK

CRA RATING FOR STATE OF NEW YORK: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

Economic and Demographic Data

C&N designates one assessment area in New York which consists of Steuben County in its entirety and operates two branches within. As noted previously, an emergency declaration and a major disaster declaration both related to COVID-19 affected the combined assessment area as of March 2020 continuing through the current evaluation.

The New York rated area includes 30 census tracts. The demographics of these census tracts include:

- 3 moderate-income tracts;
- 24 middle-income tracts; and,
- 3 upper-income tracts.

The following table illustrates select demographic characteristics of the New York rated area.

Demographic Information of the Assessment Area						
Assessment Area: NY Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	0.0	10.0	80.0	10.0	0.0
Population by Geography	98,665	0.0	8.8	76.8	14.4	0.0
Housing Units by Geography	48,849	0.0	8.3	78.2	13.5	0.0
Owner-Occupied Units by Geography	28,756	0.0	7.7	79.5	12.7	0.0
Occupied Rental Units by Geography	12,302	0.0	9.8	70.1	20.1	0.0
Vacant Units by Geography	7,791	0.0	7.8	86.0	6.3	0.0
Businesses by Geography	5,032	0.0	7.5	74.5	18.0	0.0
Farms by Geography	380	0.0	7.6	87.4	5.0	0.0
Family Distribution by Income Level	26,139	21.1	19.0	21.2	38.7	0.0
Household Distribution by Income Level	41,058	24.1	16.6	18.2	41.1	0.0
Median Family Income Non-MSAs - NY		\$59,570	Median Housing Value			\$95,164
Median Gross Rent		\$677	Families Below Poverty Level			11.5%

Source 2015 ACS and 2020 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.

There are 48,849 housing units. Of these, 58.9 percent are owner-occupied, 25.2 percent are occupied rental units, and 15.9 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Examiners used the 2019 and 2020 FFIEC-updated MFI to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
NY NA Median Family Income (99999)				
2019 (\$66,200)	<\$33,100	\$33,100 to <\$52,960	\$52,960 to <\$79,440	≥\$79,440
2020 (\$67,200)	<\$33,600	\$33,600 to <\$53,760	\$53,760 to <\$80,640	≥\$80,640

Source FFIEC

According to 2020 D&B data, there were 5,032 businesses. GARs for these businesses are below.

- 79.6 percent have \$1.0 million or less;
- 4.9 percent have more than \$1.0 million; and,
- 15.5 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 37.0 percent; followed by retail trade (14.1 percent); non-classifiable establishments (14.0 percent); and agriculture, forestry & fishing (7.0 percent). In addition, 61.9 percent of area businesses have four or fewer employees, and 85.5 percent operate from a single location.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the November 2021 National unemployment rate was 4.2 percent, while New York's statewide unemployment rate was 6.6 percent. Unemployment rose steeply during April through August 2020 due to the COVID-19 pandemic; however, current unemployment rates have been decreasing for New York.

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 7 financial institutions operating 24 branches within the New York rated area. Of these institutions, C&N ranked last in seventh place, with a 3.8 percent deposit market share.

There is a relatively high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 109 lenders reported 2,515 residential mortgage loans originated or purchased. C&N ranked 14th out of this group of lenders, with a market share of 1.5 percent. The three most prominent home mortgage lenders accounted for 41.7 percent of total market share.

There is a moderate level of competition for small business loans. In 2019, 57 lenders reported 1,131 small business loans originated or purchased. C&N ranked 18th out of this group of lenders, with a market share of 1.2 percent. The three most prominent small business lenders accounted for 36.2 percent of total market share.

Community Contacts

As part of the evaluation process, examiners contact third-parties within the assessment area to gain insight on local economic conditions, credit needs, area challenges and opportunities. This information can also help determine if banks in the area are responsive to the needs of the community. It also shows what credit and community development opportunities are available.

Examiners conducted a community contact with a local affordable housing authority that serves the City of Hornell and Steuben County, New York. The contact opined on the current economic condition of the area as relatively stable, currently coming out of the pandemic constraints. The contact noted that although there existed a relatively good supply of affordable housing, rents are increasing and lower-income individuals or families may struggle to meet the increased costs of living. The contact stated the general infrastructure of the area requires attention, but did not denote specific projects planned or considered. The contact did state a need for rehabilitative works on area housing stock fallen behind on repair.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic data, the bank's overall assessment area has specific credit and community development needs. Demand for affordable housing and rehabilitative housing credit exist throughout the New York rated area.

SCOPE OF EVALUATION – NEW YORK

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK

LENDING TEST

The Lending Test performance in the New York rated area is “Low Satisfactory.”

Lending Activity

The bank’s lending levels reflect good responsiveness to the New York rated area credit needs. During the review period (2018-2020), the bank originated 183 home mortgage, small business, and small farm loans totaling approximately \$19.9 million inside the New York rated area. This total includes 108 home mortgage loans totaling approximately \$14.3 million, 66 small business loans totaling approximately \$5.3 million, and 9 small farm loans totaling approximately \$347,000. The bank increased small business activity from 2019 to 2020, while home mortgage lending declined slightly.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the New York rated area. The bank’s good performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in the moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the New York rated area. Examiners compared the bank’s home mortgage lending to demographic and aggregate lending data. The geographic distribution of home mortgage loans in moderate-income census tracts exceeded aggregate lending data in 2019 and 2020, while also exceeding the demographic level in 2020.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: New York						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Moderate						
2019	7.7	6.8	3	7.3	246	4.4
2020	7.7	5.8	3	8.1	417	8.0
Middle						
2019	79.5	77.0	36	87.8	4,290	77.4
2020	79.5	73.4	29	78.4	3,901	74.8
Upper						
2019	12.7	16.2	2	4.9	1,005	18.1
2020	12.7	20.8	5	13.5	894	17.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	41	100.0	5,541	100.0
2020	100.0	100.0	37	100.0	5,212	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the New York rated area. Examiners compared the bank's small business lending to demographic and aggregate lending data.

As shown in the following table, C&N originated 4 small business loans in the New York rated area in 2019 within moderate-income census tract areas, for a rate of 33.3 percent of loan volume. The bank's level of lending activity increased in 2020 and exceeded demographic data for moderate-income census tracts.

Geographic Distribution of Small Business Loans							
Assessment Area: New York							
Tract Income Level		% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2019	0.0	0.0	0	0.0	0	0.0
	2020	0.0	--	0	0.0	0	0.0
Moderate							
	2019	7.8	8.8	4	33.3	376	29.0
	2020	7.5	--	5	13.2	45	1.5
Middle							
	2019	74.7	75.2	7	58.3	891	68.8
	2020	74.5	--	33	86.8	2,985	98.5
Upper							
	2019	17.5	16.0	1	8.3	28	2.2
	2020	18.0	--	0	0.0	0	0.0
Not Available							
	2019	0.0	0.0	0	0.0	0	0.0
	2020	0.0	--	0	0.0	0	0.0
Totals							
	2019	100.0	100.0	12	100.0	1,295	100.0
	2020	100.0	--	38	100.0	3,030	100.0

*Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different revenue sizes in the New York rated area. The bank's adequate performance of home mortgage and small business lending within the New York rated area primarily supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is adequate. Examiners compared the bank's home mortgage lending to demographic and aggregate lending data.

As shown in the following table, the distribution of home mortgage loans to low-income borrowers exceeds aggregate lending data in 2019. In 2020, the bank did not make any loans to low-income borrowers. Although the bank's level of lending activity decreased in 2020, a low-income family in the assessment area, with an income less than \$33,600, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$95,164. In addition, examiners also considered the economic impacts of the COVID-19 pandemic in 2020, especially to low-income borrowers. In 2019, the distribution of home mortgage loans to moderate-income borrowers was below aggregate lending data. The bank's level of lending activity to moderate-income borrowers increased in 2020, exceeding both demographic data and aggregate lending performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: New York						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	21.1	9.9	5	12.2	189	3.4
2020	21.1	6.3	0	0.0	0	0.0
Moderate						
2019	19.0	17.6	4	9.8	524	9.4
2020	19.0	16.9	8	21.6	976	18.7
Middle						
2019	21.2	24.8	12	29.3	1,135	20.5
2020	21.2	22.1	11	29.7	1,148	22.0
Upper						
2019	38.7	37.7	20	48.8	3,693	66.7
2020	38.7	40.2	18	48.6	3,089	59.3
Not Available						
2019	0.0	10.0	0	0.0	0	0.0
2020	0.0	14.5	0	0.0	0	0.0
Totals						
2019	100.0	100.0	41	100.0	5,541	100.0
2020	100.0	100.0	37	100.0	5,212	100.0
<i>Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects adequate penetration of loans to businesses with GARs less than or equal to \$1.0 million. Examiners compared the bank's small business lending to demographic and aggregate lending data.

As shown in the following table, the bank’s performance of lending to businesses with GARs less than or equal to \$1.0 million exceeds aggregate lending data in 2019. The bank’s level of lending activity to businesses with GARs less than or equal to \$1.0 million increased by number, but decreased proportionally, in 2020. The increase of loans to businesses with revenue not available is due to the PPP lending through the SBA, which did not require reported revenues.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: New York						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	77.6	46.9	6	50.0	215	16.6
2020	79.6	--	15	39.5	594	19.6
>\$1,000,000						
2019	5.5	--	6	50.0	1,080	83.4
2020	4.9	--	11	28.9	2,104	69.4
Revenue Not Available						
2019	16.9	--	0	0.0	0	0.0
2020	15.5	--	12	31.6	332	11.0
Totals						
2019	100.0	100.0	12	100.0	1,295	100.0
2020	100.0	--	38	100.0	3,030	100.0
<i>Source 2018, 2019, 2020 & 2021 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Innovative or Flexible Lending Practices

C&N uses innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals and geographies throughout the New York rated area.

The bank initiated an Emergency Loan Relief Program of December 16, 2021. The program targets borrowers that have a need in relation to any natural disaster occurring within the general lending area, but specifically targets those within Steuben County affected by the remnants of Tropical Storm Fred (DR-4625; August 18 & 19, 2021). Since initiation, the bank made no originations under this program.

Community Development Loans

C&N has made no community development loans within the New York rated area.

INVESTMENT TEST

The Investment Test performance in the New York rated area is “Low Satisfactory.” The Investment and Grant Activity criterion primarily supports this conclusion.

Investment and Grant Activity

C&N has an adequate level of qualified community development investments in the New York rated area, where the bank had 7 equity investments and donations totaling \$917,000. All qualified activities cited are community service oriented. C&N made one new equity investment totaling \$765,000 in 2018, one new equity investment totaling \$565,000 in 2019, and maintained a prior period investment of \$150,000. The prior period and 2018 investments each supported school districts with significant low- and moderate-income families. The 2019 investment occurred outside the assessment area, in adjacent Chemung County; this qualifying activity supported the broader county population, which included low- and moderate-income area benefactors. C&N also donated \$500 to a local area school district affected by the flooding event of 2021, while making continuous donations through the review period to a community service organization for a total of \$1,600.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community economic development needs.

Community Development Initiatives

The institution occasionally uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

The Service Test performance in the New York rated area is “Low Satisfactory.” The adequate level of Community Development Services criterion primarily supports this conclusion.

Accessibility of Delivery Systems

The bank’s delivery systems are reasonably accessible to essentially all portions of the assessment area. C&N serves the New York rated area with two full-service branches and an LPO. Alternative banking services such as telephone banking, online banking, mobile banking and applications, digital payments, and ATMs are available to increase accessibility of retail banking services. The 2 full-service branches are within Steuben County, which one resides in a moderate-income census tract. The LPO is within Chemung County.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	3	10.0	8,682	8.8	0	0.0	0	0.0
Middle	24	80.0	75,775	76.8	2	100.0	2	100.0
Upper	3	10.0	14,208	14.4	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	30	100.0	98,665	100.0	2	100.0	2*	100.0

Source 2015 ACS Data; Bank Data; () Denotes no stand-alone ATMs the bank operates in this area.*

Changes in Branch Locations

As no changes have been made, the institution's branch operations has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- and moderate-income individuals.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Branch hours are generally consistent with most branches offering extended hours on Friday and many having Saturday hours.

Community Development Services

The institution provides an adequate level of community development services. Two bank personnel engaged in the Teach Kids to Save program within a significant low- and moderate-income school district for years 2018 and 2019. These four instances are an increase from the previous evaluation, citing just two in a similar period.

Other Community Development Services

Interest Only Lawyers Account (IOLA) – In New York, C&N provides IOLAs to its customers. The purpose of the IOLA is to provide funding for civil legal services for people who cannot afford legal services, projects to improve the administration of justice, and education of laypersons in law-related areas. This program provides legal services, health care facilities, and youth centers targeted to low- and moderate-income individuals and families. The bank maintains 2 IOLAs totaling \$619,000.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

Citizens & Northern Bank	
Scope of Examination: Full scope reviews were performed on the following assessment areas within the noted rated areas: Commonwealth of Pennsylvania: Pennsylvania Non-Metropolitan Statistical Areas Williamsport MSA Montgomery MD State of New York; inclusive of only Non-Metropolitan Statistical Areas	
Time Period Reviewed:	06/18/2018 to 01/31/2022
Products Reviewed: Home Mortgage Lending Data: [time period reviewed 06/18/2018 to 12/31/2020] Small Business Lending Data: [time period reviewed 06/18/2018 to 12/31/2020]	

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Pennsylvania	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
New York	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

Commonwealth of Pennsylvania

Montgomery MD

Description of Assessment Area

The Montgomery MD comprises the full counties of Bucks, Chester, and Montgomery. Each of these counties abut one another and concentrate in southeastern Pennsylvania, surrounding Philadelphia and Delaware counties. C&N added these areas through acquisition of two local financial institutions: Monument Bank and Covenant Bank. The first acquisition occurred in March 2019, while the latter July 2020.

The following table provides demographic information for the assessment area:

Demographic Information of the Assessment Area						
Assessment Area: Montgomery MD						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	470	4.0	21.1	46.6	27.7	0.6
Population by Geography	1,949,350	3.5	19.0	47.9	29.3	0.3
Housing Units by Geography	768,553	3.9	20.1	48.2	27.8	0.0
Owner-Occupied Units by Geography	541,872	1.6	16.4	49.9	32.2	0.0
Occupied Rental Units by Geography	185,877	9.8	29.9	44.6	15.8	0.0
Vacant Units by Geography	40,804	8.3	25.9	42.1	23.6	0.0
Businesses by Geography	246,285	2.5	14.6	47.9	34.9	0.0
Farms by Geography	6,238	1.6	15.5	53.5	29.4	0.0
Family Distribution by Income Level	508,147	20.0	18.3	22.0	39.7	0.0
Household Distribution by Income Level	727,749	23.6	16.5	18.2	41.6	0.0
Median Family Income MSA - 33874 Montgomery County-Bucks County- Chester County, PA		\$99,939	Median Housing Value			\$318,012
Median Gross Rent		\$1,187	Families Below Poverty Level			4.3%
<small>Source 2015 ACS and 2020 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.</small>						

Competition

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 53 financial institutions operating 647 branches within the assessment area. Of these institutions, C&N ranked 23rd with a 0.7 percent deposit market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 722 lenders reported 122,339 residential mortgage loans originated or purchased. C&N ranked 163rd out of this group of lenders, with a market share of <0.1 percent. The top three lenders in the area capture 18.3 percent of total mortgage lending. These consist of Wells Fargo Bank NA (8.5), Quicken Loans LLC (5.8), and Citizens Bank NA (4.0).

There is a high level of competition for small business loans. In 2019, 174 lenders reported 59,345 small business loans originated or purchased. C&N ranked 81st out of this group of lenders, with a market share of <0.1 percent. The three most prominent small business lenders accounted for 44.6 percent of total market share.

GLOSSARY

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 metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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 metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

Rated Area: A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.