



## PUBLIC DISCLOSURE

April 2, 2018

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Honesdale National Bank  
Charter Number 644

733 Main St.  
Honesdale, PA 18431

Office of the Comptroller of the Currency

1150 Northbrook Drive Suite 300  
Trevese, PA 19053

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

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

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

The major factors supporting this rating include:

- The Honesdale National Bank's (HNB or bank) quarterly average net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance;
- A substantial majority of the bank's loans were originated in the bank's assessment area;
- The bank's distribution of loans represents a reasonable penetration among individuals of different income levels;
- The bank's distribution of loans represents a reasonable dispersion throughout census tracts of different income levels; and
- HNB's responsiveness to community development needs and opportunities in its assessment area is adequate given its capacity and area opportunities.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

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

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

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

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

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

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

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

## Description of Institution

Honesdale National Bank (HNB) is an independent, intrastate community bank, established in 1836, with its main office and headquarters in Honesdale, Pennsylvania. Honesdale is the county seat of Wayne County in northeastern Pennsylvania. As of December 31, 2017, HNB had total assets of \$643 million and tier one capital of \$88 million. HNB is a wholly owned subsidiary of HONAT Bancorp, Inc., a one-bank holding company headquartered in Honesdale, PA. HONAT Bancorp, Inc. has no other subsidiaries. HNB does not have any subsidiaries or affiliates.

As of December 31, 2017, HNB operates eleven full service offices located in Wayne, Pike, Susquehanna and Lackawanna counties and an operations center in Wayne County. HNB also operates a mortgage loan production office in Luzerne County. All eleven offices have on-site automated teller machines (ATMs). Six of the branch on-site ATM's (Hamlin, Clark Summit, Route 6 Plaza, Kingston, Lake Wallenpaupack, and 733 Main Street Branches) are full service with the remaining branch ATM's (Forest City, Lackawaxen, Kingston, Lakewood, and Montdale Branches) do not accept deposits. HNB also maintains an off-site ATM at a local hospital, which does not accept deposits, and a mobile ATM for events, which also does not accept deposits. All branches offer extended Friday hours and Saturday morning hours. A new full-service branch was opened December 7, 2017 in Clark Summit, PA. There were no branches closed, and there were no mergers or acquisitions during the evaluation period.

HNB is a full service community bank offering a range of retail banking, commercial banking, and trust services. Its retail services include checking accounts, savings programs, money-market accounts, certificates of deposit, consumer loan programs, and residential mortgages. Its commercial services include business checking accounts, money-market accounts, commercial mortgages, lines or letters of credit, credit cards, and loans for equipment or capital improvements. In addition, HNB offers trust and investment services.

As of December 31, 2017 HNB reported net loans and leases of \$481 million or 75 percent of average assets. The loan portfolio was comprised as follows:

<b>Loan Portfolio Summary by Loan Product December 31, 2017</b>	
<b>Loan Category</b>	<b>% of Outstanding Loans</b>
1-4 Family Residential Real Estate Loans	44
Commercial Real Estate Loans	35
Commercial & Industrial Loans	14
Consumer Loans	6
Agricultural and Municipal Loans	1

*Source: December 31, 2017 Call Report*

Competition was average and included local community banks and branches of larger regional and national banks. HNB's main competitors are PNC Bank, NA, First National Community Bank, Community Bank, NA, Peoples Security Bank and Trust, and Wells Fargo, NA.

There are no financial or legal impediments to hinder HNB's ability to help meet the credit needs of the communities it services.

HNB's last Public Evaluation (PE), dated March 13, 2015, was rated Satisfactory.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

Honesdale National Bank (HNB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The Lending Test covers two evaluation periods. The first evaluation period covers the bank's performance from January 1, 2015 to December 21, 2016. For 2017, the Office of Management and Budget changed the 2010 U.S. Census data. The changes resulted in differences to the MSA/MD, tract, and income designations. To reflect the Census changes, we established a second evaluation period for the bank's Lending Test, covering performance from January 1, 2017 to December 31, 2017. The period for the community development test is from March 14, 2015 through April 2, 2018.

HNB's primary loan product was home mortgage loans. HNB reports data under the requirements of the Home Mortgage Disclosure Act (HMDA).

### **Data Integrity**

HNB's primary loan product was home mortgage loans. HNB reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). Prior to this evaluation, we tested the accuracy of HNB's HMDA data. The results of this testing indicated the data was reasonably accurate and could be relied upon. Therefore, we utilized the HMDA data from January 1, 2015 through December 31, 2017 for this evaluation. Community Development (CD) loans, investments, and services submitted by management were verified to ensure that they met the regulatory definition for community development.

### **Selection of Areas for Full-Scope Review**

HNB had three assessment areas located in northeastern Pennsylvania. The AAs were a part of Scranton/Wilkes-Barre/Hazleton MSA #42540 and consisted of all of Lackawanna County, Luzerne County, and Wyoming County. The second AA was part of the Newark-Union NJ-PA MD #35084 and included all of Pike County, PA. The third AA was a Non-MSA and consists of all Wayne and Susquehanna County, PA. We performed a full-scope review of all three AAs. Refer to the table in appendix A for more information.

### **Ratings**

The bank's overall rating is based on the review of the three assessment areas. Based on the demographic context of the AAs, more weight was placed on moderate-income areas. Refer to Appendix A-1 for demographic information on the AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

HNB's Performance under the Lending Test is Satisfactory. HNB's quarterly average loan-to-deposit ratio was reasonable. A substantial majority of HNB's home mortgage loans were made with the bank's assessment area. HNB was found to have a reasonable penetration among borrowers of different income levels. HNB was found to have reasonable dispersion throughout census tracts of different income levels. HNB's community development activities demonstrate satisfactory responsiveness to the Community Development needs of its AA's.

All criteria of the Lending Test are documented below:

### LENDING TEST

#### Loan-to-Deposit Ratio

HNB's quarterly average net loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of the AA. HNB's loan-to-deposit ratio meets the standard for satisfactory performance. The bank's quarterly average net loan-to-deposit ratio over the twelve quarters since the last CRA examination was 86.70 percent. During this period, the ratio ranged from a quarterly low of 83.18 percent to a quarterly high of 89.71 percent. HNB's quarterly average net loan-to-deposit ratio compares favorably with other Pennsylvania financial institutions of similar size. The quarterly average net loan-to-deposit ratio for Pennsylvania financial institutions of similar size was 83.80 percent over the same twelve quarters. The ratios ranged from a quarterly low of 63.27 percent to a quarterly high of 114.81 percent during that period.

#### Lending in Assessment Area

A substantial majority of the bank's home mortgage loans was made within the bank's assessment areas. This meets the standard for excellent performance. During the 2015-2016 evaluation period, 95.99 percent of the number and 95.93 percent of the dollar amount of home mortgage loans were made within the bank's AA's. This includes HMDA reported loans from 1/1/15 to 12/31/16. Refer to table 1 below.

Table 1 - Lending in Assessment Area 2015 to 2016										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	474	95.18	24	4.82	498	64,884	93.93	4,190	6.07	69,074
Home Improvement	89	97.80	2	2.20	91	9,969	99.61	39	.39	10,008
Home Refinance	285	95.00	15	5.00	300	42,229	94.26	2,570	5.74	44,799
Totals	848	95.99	41	4.01	889	117,082	95.93	6,700	5.49	123,881

Source: HNB's HMDA data January 1, 2015 to December 31, 2016

The 2017 results were similar to 2015-2016. A substantial majority of the bank’s home mortgage loans was made within the bank’s assessment areas. This meets the standard for excellent performance. During the 2017 evaluation period, 95.01 percent of the number and 94.93 percent of the dollar amount of home mortgage loans were made within the bank’s AA. This includes HMDA reported loans from 1/1/17 to 12/31/17. Refer to table 1a.

<b>Table 1a - Lending in Assessment Area 2017</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	255	93.41	18	6.59	273	34,556	93.60	2,361	6.40	36,917
Home Improvement	52	98.11	1	1.89	53	3,726	95.88	160	4.12	3,886
Home Refinance	115	93.50	8	6.50	123	20,590	95.01	1,082	4.99	21,672
Totals	422	95.01	27	4.99	449	58,872	94.93	3604	5.17	62,475

Source: HNB’s HMDA data January 1, 2017 to December 31, 2017

**Lending to Borrowers of Different Incomes**

The distribution of loans reflects reasonable penetration among individuals of different income levels. HNB’s record of lending to borrowers of different incomes meets the standard for satisfactory performance.

**Lackawanna County-Luzerne County- Wyoming County AA**

The distribution of loans for 2015 -2016 reflects reasonable penetration among individuals of different income levels. HNB’s record of lending to borrowers of different incomes meets the standard for satisfactory performance. Our analysis takes into consideration the lack of affordability for a low-income family to purchase a home. The average median housing value in this AA was \$123,531. According the FFIEC, adjusted median family income was \$60,400. A low-income family earned less than \$30,200 annually and a moderate-income family earned less than \$48,320. Additionally, 13 percent of households in the AA were below the poverty level. Because this lack of affordability limits the opportunity for home purchase, home improvement, and home refinance lending to low-income families, we placed more emphasis on the bank’s performance with moderate-income families.

*Home Purchase 2015 – 2016*

The percentage of home purchase loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering the difficulty for low-income families to afford housing, this performance was adequate.

The percentage of home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance was excellent. HNB's market share of home purchase loans to both low- and moderate-income borrowers exceeds the bank's overall market share of home purchase loans in the AA.

#### *Home Improvement 2015 – 2016*

The percentage of home improvement loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering difficulty for low-income families to afford housing, this performance was adequate. The percentage of home improvement loans made to moderate-income borrowers was significantly lower than the percentage of moderate-income families in the AA. This performance was poor. HNB's market share of home improvement loans to both low- and moderate-income borrowers exceeds the bank's overall market share of home purchase loans in the AA.

#### *Home Refinance 2015 – 2016*

The percentage of home refinance loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering difficulty for low-income families to afford housing, this performance was adequate. The percentage of home refinance loans made to moderate-income borrowers was somewhat lower than the percentage of moderate-income families in the AA. This performance was adequate. HNB's market share of home refinance loans to moderate-income borrowers exceeds the bank's overall market share of home refinance loans in the AA.

Table 2 shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016 as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Lackawanna County- Luzerne County- Wyoming County AA 2015-2016</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans						
Home Purchase	20.38	6.49	18.08	24.81	21.62	25.19	39.92	43.51
Home Improvement	20.38	6.45	18.08	3.23	21.62	29.03	39.92	61.29
Home Refinance	20.38	1.85	18.08	13.89	21.62	25.93	39.92	58.33

Source: HNB's HMDA data 1/1/2015- 12/31/16 2010 U.S. Census data

The distribution of loans for 2017 was similar to our analysis to 2015-2016. The 2017 analysis reflects reasonable penetration among individuals of different income levels, and HNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Our analysis takes into consideration the lack of ability of a low-income family to purchase a home. The average median housing value in this AA was \$123,531. According the FFIEC the adjusted median family income was \$59,500. A low-income family earned less than \$29,750 annually and a moderate-income family earned less than \$47,440. Additionally, 13 percent of households in the AA were below the poverty level. Because this lack of affordability limits the opportunity for home purchase, home improvement, and home refinance lending to low-income families, we placed more emphasis on the bank's performance with moderate-income families.

#### *Home Purchase 2017*

The percentage of home purchase loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering the difficulty for low-income families to afford housing, this performance was adequate. The percentage of home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance was excellent. HNB's market share of home purchase loans to both low- and moderate-income borrowers exceeds the bank's overall market share of home purchase loans in the AA.

#### *Home Improvement 2017*

The percentage of home improvement loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering the difficulty for low-income families to afford housing, this performance was adequate. The percentage of home improvement loans made to moderate-income borrowers was less than the percentage of moderate-income families in the AA. This performance was adequate. HNB's market share of home purchase loans to both low- and moderate-income borrowers exceeds the bank's overall market share of home purchase loans in the AA.

#### *Home Refinance 2017*

The percentage of home refinance loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering the difficulty for low-income families to afford housing, this performance was adequate. The percentage of home refinance loans made to moderate-income borrowers was lower than the percentage of moderate-income families in the AA. This performance was poor. HNB's market share of home refinance loans to moderate-income borrowers exceeds the bank's overall market share of home refinance loans in the AA.

Table 2a shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2017 through December 31, 2017 as compared to the percent of families in each income category.

Table 2a- Borrower Distribution of Residential Real Estate Loans in Lackawanna County- Luzerne County- Wyoming County AA 2017								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.38	6.67	18.08	20.00	21.62	38.33	39.92	35.00
Home Improvement	20.38	5.56	18.08	11.11	21.62	5.56	39.92	77.78
Home Refinance	20.38	2.44	18.08	4.88	21.62	31.71	41.60	60.78

Source: HNB's HMDA data January 1, 2017 to December 31, 2017; 2010 U.S. Census data

### Wayne & Susquehanna Counties

The distribution of loans reflects reasonable penetration among individuals of different income levels. HNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Our analysis takes into consideration the ability of a low-income family to purchase a home. The average median housing value in this AA was \$161,907. According the 2016 FFIEC, adjusted median family income was \$56,000. A low-income family earned less than \$28,000 annually while a moderate-income family earned less than \$44,800. Additionally, 11 percent of households in the AA were below the poverty level. Because this lack of affordability limits the opportunity for home purchase, home improvement, and home refinance lending to low-income families, we placed more emphasis on the bank's moderate-income performance.

#### Home Purchase 2015 – 2016

The percentage of home purchase loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Given how difficult it was for low-income families to afford housing, this performance was adequate. The percentage of home purchase loans made to moderate-income borrowers was near to the percentage of moderate-income families in the AA. This performance was adequate. HNB's market share of home purchase loans to low-income borrowers was less than the bank's overall market share of home purchase loans in the AA. HNB's market share of home purchase loans to moderate-income borrowers exceeds the bank's overall market share of home purchase loans in the AA.

*Home Improvement 2015 – 2016*

The percentage of home improvement loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Given how difficult it was for low-income families to afford housing, this performance was adequate. The percentage of home improvement loans made to moderate-income borrowers was near to the percentage of moderate-income families in the AA. This performance was adequate. HNB’s market share of home improvement loans to low-income borrowers was less than the bank’s overall market share of home improvement loans in the AA. HNB’s market share of home improvement loans to moderate-income borrowers exceeds to the bank’s overall market share of home improvement loans in the AA.

*Hone Refinance 2015 – 2016*

The percentage of home refinance loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Given how difficult it was for low-income families to afford housing, this performance was adequate. The percentage of home refinance loans made to moderate-income borrowers was less than the percentage of moderate-income families in the AA. HNB’s market share of home refinance loans to low-income borrowers was less than the bank’s overall market share of home refinance loans in the AA. HNB’s market share of home refinance loans to moderate-income borrowers was less than the bank’s overall market share of home refinance loans in the AA This performance was adequate considering the performance context.

Table 3 shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016 as compared to the percent of families in each income category.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in the Wayne &amp; Susquehanna Counties - Non-MSA AA 2015-2016</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.75	6.10	18.14	17.07	23.51	19.51	41.60	57.32
Home Improvement	16.75	6.25	18.14	16.67	23.51	20.03	41.60	56.25
Home Refinance	16.75	4.79	18.14	10.96	23.51	18.49	41.60	65.75

*Source: HNB’s HMDA data January 1, 2015 to December 31, 2016; 2010 U.S. Census data*

The distribution of loans for 2017 was similar to our analysis for 2015-2016. The 2017 analysis reflects reasonable penetration among individuals of different income levels, and HNB’s record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Our analysis takes into consideration the ability for a low-income family to purchase a home. The average median housing value in this AA was \$161,907. According the 2017 FFIEC, adjusted median family income was \$57,500. A low-income family earned less than \$28,750 annually while a moderate-income family earned \$46,000. Additionally, 11 percent of households in the AA were below the poverty level. Because this lack of affordability limits the opportunity for home purchase, home improvement, and home refinance lending to low-income families, we placed more emphasis on the bank's performance with moderate-income families.

#### *Home Purchase 2017*

The percentage of home purchase loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. This performance was adequate since it would be difficult for low-income families to afford housing. The percentage of home purchase loans made to moderate-income borrowers was equal the percentage of moderate-income families in the AA. This performance was adequate. HNB's market share of home purchase loans to low-income borrowers was less than the bank's overall market share of home purchase loans in the AA. HNB's market share of home purchase loans to moderate-income borrowers meets the bank's overall market share of home purchase loans in the AA.

#### *Home Improvement 2017*

The bank originated no home improvement loans to low-income families in the AA. Considering the difficulty for low-income families to afford housing, this performance was poor. The percentage of home improvement loans made to moderate-income borrowers was near the percentage of moderate-income families in the AA. HNB's market share of home improvement loans to low-income borrowers was less than the bank's overall market share of home improvement loans in the AA. HNB's market share of home improvement loans to moderate-income borrowers exceeds the bank's overall market share of home purchase loans in the AA. This performance was adequate.

#### *Home Refinance 2017*

The percentage of home refinance loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Given the difficulty for low-income families to afford housing, this performance was adequate. The percentage of home refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance was excellent. HNB's market share of home refinance loans to low-income borrowers was less than the bank's overall market share of home refinance loans in the AA. This performance was adequate. HNB's market share of home refinance loans to moderate-income borrowers exceeds the bank's overall market share of home purchase loans in the AA.

Table 3a shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2017 through December 31, 2017 as compared to the percent of families in each income category.

<b>Table 3a - Borrower Distribution of Residential Real Estate Loans in the Wayne &amp; Susquehanna Counties - Non-MSA AA 2017</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.75	8.91	18.14	18.81	23.51	23.76	41.60	48.61
Home Improvement	16.75	0.00	18.14	17.86	23.51	35.71	41.60	46.43
Home Refinance	16.75	3.92	18.14	19.61	23.51	15.69	41.60	60.78

Source: HNB's HMDA data January 1, 2017 to December 31, 2017; 2010 U.S. Census data

### **Pike County AA**

The distribution of loans 2015-2016 reflects reasonable penetration among individuals of different income levels. HNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Our analysis takes into consideration the ability for a low-income family to purchase a home. The average median housing value in this AA was \$226,767. According to the 2017 FFIEC, adjusted median family income was \$95,100. A low-income family earned less than \$30,939 annually while a moderate-income family earned \$56,176.

Additionally, eight percent of households in the AA were below the poverty level. Because this lack of affordability limits the opportunity for home purchase, home improvement, and home refinance lending to low-income families, we placed more emphasis on the bank's performance with moderate-income families.

#### *Home Purchase 2015 – 2016*

The percentage of home purchase loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering the difficulty for low-income families to afford housing, this performance was adequate. The percentage of home purchase loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the AA. This performance was excellent. HNB's market share of home purchase loans to low-income borrowers was less than the bank's overall market share. HNB's market share of home purchase loans to moderate-income borrowers significantly exceeds the bank's overall market share of home purchase loans in the AA.

### Home Improvement 2015 – 2016

The percentage of home improvement loans made to low-income borrowers was near the percentage of low-income families in the AA. This performance was excellent. HNB's market share of home improvement loans to low-income borrowers exceeds the bank's overall market share. The percentage of home improvement loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the AA. This performance was excellent. HNB's market share of home improvement loans to moderate-income borrowers was exceeds the bank's overall market share.

### Home Refinance 2015 – 2016

The percentage of home refinance loans made to low-income borrowers was significantly lower than the percentage of low-income families in the AA. Considering the difficulty for low-income families to afford housing, this performance was adequate. The percentage of home refinance loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the AA. This performance was excellent. HNB's market share of home refinance loans to both low- and moderate-income borrowers exceeds the bank's overall market share.

Table 4 shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016 as compared to the percent of families in each income category.

Table 4 - Borrower Distribution of Residential Real Estate Loans: Pike County AA 2015-2016								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	34.33	6.67	24.74	40.00	22.20	23.33	18.73	30.00
Home Improvement	34.33	33.33	24.74	50.00	22.20	0.00	18.73	16.67
Home Refinance	34.33	5.88	24.74	47.06	22.20	23.53	18.73	23.53

Source: HNB's HMDA data January 1, 2015 to December 31, 2016; 2010 U.S. Census data

The distribution of loans for 2017 reflects reasonable penetration among individuals of different income levels, and HNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Our analysis takes into consideration the ability for a low-income family to purchase a home. The average median housing value in this AA was \$204,297. According the 2017 FFIEC, adjusted median family income was \$99,800. A low-income family earned less than \$35,489 annually while a moderate-income family earned \$61,686.

Additionally, nine percent of households in the AA were below the poverty level. Because this lack of affordability limits the opportunity for home purchase, home improvement, and home refinance lending to low-income families, we placed more emphasis on the bank’s performance with moderate-income families.

*Home Purchase 2017*

The bank originated no home purchase loans to low-income borrowers in the AA. This performance was poor. The percentage of home purchase loans made to moderate-income borrowers was near the percentage of moderate-income families in the AA. This performance was adequate. HNB’s market share of home purchase loans to low-income borrowers was less than bank’s overall market share. HNB’s market share of home purchase loans to moderate-income borrowers significantly exceeds the bank’s overall market share of home purchase loans in the AA.

*Home Improvement 2017*

The bank originated no home improvement loans made to low- or-income borrowers in the AA. This performance was poor. HNB’s market share of home improvement loans to low-and moderate-income borrowers was less than bank’s overall market share.

*Refinance 2017*

The percentage of home refinance loans made to low-income borrowers exceeds the percentage of low-income families in the AA. This performance was excellent. The percentage of home refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance was excellent. HNB’s market share of home refinance loans to low-and moderate-income borrowers exceeds bank’s overall market share.

Table 4a shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2017 through December 31, 2017, as compared to the percent of families in each income category.

Table 4a - Borrower Distribution of Residential Real Estate Loans: Pike County AA 2017								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	34.33	0.00	24.74	23.08	22.20	30.77	18.73	46.15
Home Improvement	34.33	0.00	24.74	0.00	22.20	0.00	18.73	100.00
Home Refinance	34.33	37.50	24.74	25.00	22.20	12.50	18.73	25.00

Source: HNB’s HMDA data January 1, 2017 to December 31, 2017; 2010 U.S. Census data

## **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels. HNB's performance meets the standard for satisfactory performance. There were no conspicuous gaps identified within HNB's AA.

### **Lackawanna County-Luzerne County- Wyoming County AA**

The geographic distribution of loans for 2015-2016 reflects reasonable dispersion throughout census tracts of different income levels, and HNB's performance meets the standard for satisfactory performance.

Lending opportunities in low-income census tracts were limited. There were only 1,069 owner-occupied housing units located in low-income geographies in the AA. As a result, we placed more emphasis on the bank's performance in moderate-income geographies.

#### *Home Purchase 2015-2016*

The percentage of home purchase loans made in low-income geographies was lower than the percentage of owner-occupied housing units in these geographies. This performance was considered adequate. HNB's market share of home purchase loans to low-income borrowers was lower than the bank's overall market share. The percentage of home purchase loans made in moderate-income geographies was lower than the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB's market share of home purchase loans to moderate-income borrowers exceeded the bank's overall market share.

#### *Home Improvement 2015-2016*

The bank originated no home improvement loans in low-income geographies. This performance was poor. HNB's market share of home improvement loans to low-income borrowers was lower than the bank's overall market share. The percentage of home improvement loans made in moderate-income geographies was lower than the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB's market share of home improvement loans to moderate-income borrowers exceeds the bank's overall market share.

#### *Home Refinance 2015-2016*

The bank originated no home refinance loans in low-income geographies. This performance was poor. HNB's market share of home refinance loans to low-income borrowers was lower than the bank's overall market share. The percentage of home improvement loans made in moderate-income geographies was lower than the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB's market share of home refinance loans to moderate-income borrowers exceeds the bank's overall market share.

Table 5 details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2015 through December 31, 2016.

<b>Table 5 - Geographic Distribution of Residential Real Estate Loans: Lackawanna County- Luzerne County- Wyoming County AA 2015 to 2016</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.70	0.37	14.83	7.43	60.57	63.57	23.90	28.62
Home Improvement	0.70	0.00	14.83	9.38	60.57	65.63	23.90	35.65
Home Refinance	0.70	0.00	14.83	6.09	60.57	58.26	23.90	25.69

Source: HNB’s HMDA data January 1, 2015 to December 31, 2016; 2010 U.S. Census data

The geographic distribution of loans for 2017 was similar to our analysis for 2015-2016. The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels, and HNB’s performance meets the standard for satisfactory performance.

Lending opportunities in low-income census tracts were limited. There were only 1,069 owner-occupied housing units located in low-income geographies in the AA. As a result, we placed more emphasis on the bank’s performance in moderate-income geographies.

*Home Purchase 2017*

The percentage of home purchase loans made in low-income geographies was near to the percentage of owner-occupied housing units in these geographies. This performance was excellent. HNB’s market share of home purchase loans to low-income borrowers was lower than the bank’s overall market share. The percentage of home purchase loans made in moderate-income geographies was lower than the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB’s market share of home purchase loans to moderate -income borrowers exceeds than the bank’s overall market share.

*Home Improvement 2017*

The bank originated no home improvement loans in low-income geographies. This performance was poor. The percentage of home improvement loans made in moderate-income geographies was lower than the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB’s market share of home improvement loans to low -income borrowers was lower than the bank’s overall market share. HNB’s market share of home improvement loans to moderate - income borrowers exceeds the bank’s overall market share.

### Home Refinance 2017

The bank originated no home refinance loans in low-income geographies. This performance was poor. HNB's market share of home refinance loans to low-income borrowers was lower than the bank's overall market share. The percentage of home refinance loans made in moderate-income geographies was lower than the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB's market share of home refinance loans to moderate -income borrowers exceeds the bank's overall market share. Table 5a details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2017 through December 31, 2017.

Table 5a - Geographic Distribution of Residential Real Estate Loans: Lackawanna County- Luzerne County- Wyoming County AA 2017								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.70	0.81	14.83	10.48	60.57	58.06	23.90	30.65
Home Improvement	0.70	0.00	14.83	10.00	60.57	65.63	55.00	35.00
Home Refinance	0.70	0.00	14.83	6.83	60.57	65.96	23.90	27.66

Source: HNB's HMDA data January 1, 2017 to December 31, 2017; 2010 U.S. Census data

### Wayne & Susquehanna Counties

There were no low- or moderate-income geographies in the AA. An analysis of lending in low-income geographies was not performed because it would not be meaningful. Table 6 details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2015 through December 31, 2016.

Table 6 - Geographic Distribution of Residential Real Estate Loans Wayne & Susquehanna Counties 2015 to 2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00	0.00	0.00	0.00	91.36	90.06	8.64	9.94
Home Improvement	0.00	0.00	0.00	0.00	91.36	83.67	8.64	16.33
Home Refinance	0.00	0.00	0.00	0.00	91.36	90.85	8.64	9.15

Source: HNB's HMDA data January 1, 2015 to December 31, 2016; 2010 U.S. Census data

The OMB census tracts updates for 2017 identified three new moderate-income tracts in the Wayne-Susquehanna Counties AA. The geographic distribution of loans reflects adequate dispersion in HNB’s performance and meets the standard for satisfactory performance.

There were no low-income geographies in the AA. An analysis of lending in low-income geographies was not performed because it would not be meaningful.

*Home Purchase 2017*

The percentage of home purchase loans made in moderate-income geographies exceeds the percentage of owner-occupied housing units in these geographies. This performance was excellent. HNB’s market share exceeds than the bank’s overall market share.

*Home Improvement 2017*

The percentage of home improvement loans made in moderate-income geographies exceeds the percentage of owner-occupied housing units in these geographies. This performance was excellent. HNB’s market share exceeds than the bank’s overall market share.

*Home Refinance 2017*

The percentage of home refinance loans made in moderate-income geographies was near to the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB’s market share exceeds than the bank’s overall market share.

Table 6a details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2017 through December 31, 2017.

<b>Table 6a - Geographic Distribution of Residential Real Estate Loans Wayne &amp; Susquehanna Counties 2017</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00	0.00	11.29	15.18	82.45	72.32	6.26	12.50
Home Improvement	0.00	0.00	11.29	20.69	82.45	79.31	6.26	0.00
Home Refinance	0.00	0.00	11.29	7.27	82.45	85.45	6.26	7.27

Source: HNB’s HMDA data January 1, 2017 to December 31, 2017; 2010 U.S. Census data

**Pike County AA**

The geographic distribution of loans for 2015-2016 reflects satisfactory dispersion throughout census tracts of different income levels. HNB’s performance meets the standard for satisfactory performance.

There were no low-income geographies in the AA. An analysis of lending in low-income geographies was not performed because it would not be meaningful.

The percentage of home purchase loans, home improvement loans and home refinance loans made in moderate-income geographies was equal to the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB’s market share of home purchase, home improvement, and home refinance loans to low- and moderate-income borrowers exceeds than the bank’s overall market share.

Table 7 details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2015 through December 31, 2016.

Table 7 - Geographic Distribution of Residential Real Estate Loans Pike County AA 2015 to 2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00
Home Improvement	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00
Home Refinance	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00

Source: HNB’s HMDA data January 1, 2015 to December 31, 2016; 2010 U.S. Census data

The geographic distribution of loans for 2017 was similar to our analysis for 2015-2016. The geographic distribution of loans reflects satisfactory dispersion. HNB’s performance meets the standard for satisfactory performance.

There were no low-income geographies in the AA. An analysis of lending in low-income geographies was not performed because it would not be meaningful.

The percentage of home purchase loans, home improvement loans and home refinance loans made in moderate-income geographies was equal to the percentage of owner-occupied housing units in these geographies. This performance was adequate. HNB’s market share of home purchase, home improvement, and home refinance loans to low- and moderate-income borrowers exceeds than the bank’s overall market share.

Table 7a details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2017 through December 31, 2017.

<b>Table 7a - Geographic Distribution of Residential Real Estate Loans Pike County AA 2017</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00
Home Improvement	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00
Home Refinance	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00

Source: HNB's HMDA data January 1, 2017 to December 31, 2017; 2010 U.S. Census data

### Responses to Complaints

HNB did not receive any CRA complaints during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

The Community Development test is rated Satisfactory. HNB's community development activities demonstrate adequate responsiveness to the Community Development needs of its AA, when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AA's.

### Lackawanna County-Luzerne County- Wyoming County AA

#### Number and Amount of Community Development Loans

During the review period, HNB originated 12 CD loans totaling \$8.3 million that provided affordable housing to low- and moderate-income individuals and families. This included financing the construction of 48 apartments. HNB also financed office renovations for a redevelopment assistance capital program located in a moderate-income geography. In addition, HNB provided \$863 thousand for economic development to low-to-moderate income geographies.

#### Number and Amount of Qualified Investments

In 2007, HNB made a \$2.5 million investment in a 21-unit housing project for low-and-moderate-income elderly residents in Lackawanna County. As of the examination date, this investment had a remaining balance of \$180 thousand.

HNB made several donations totaling approximately \$29 thousand to a number of organizations whose primary purpose was to provide community services to low- and moderate-income individuals.

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

During the evaluation period, four officers provided financial and technical expertise by serving on the Boards of Directors of four different community development organizations.

The bank finances an interactive web-based financial literacy program directed to low-and-moderate income individuals. The program provides financial and technical expertise in credit counseling and housing education seminars for low-and moderate-income participants. In addition, the course covers information pertaining to checking/savings accounts and credit cards

One employee is on a committee of a non-profit organization that provides temporary shelter for women and children in crisis. The organization assists with affordable housing and offers support resources.

A bank employee is a board member of a non-profit organization that serves disadvantaged individuals in need of furnace retrofitting and housing weatherization.

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

HNB's community development activities, as a whole, demonstrate adequate responsiveness to the community development needs of its Lackawanna County- Luzerne County- Wyoming County AA, when considering the bank's capacity, its performance context, and the availability of community development opportunities in this AA.

### **Wayne & Susquehanna Counties**

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

During the review period, HNB originated 14 CD loans totaling \$5.4 million to provide economic development in low-to-moderate income geographies. One of these loans provided \$1.1 million to a wastewater and sewer system that directly benefits low- and-moderate-income geographies. HNB also originated two SBA loans for \$226 thousand that provided economic development in the AA.

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

During the review period, HNB provided \$80,795 in grants and investments to a non-profit organization. HNB's investment benefited a 253 bed CRA-qualified resident senior housing facility in Wayne County. Through these investments, the non-profit received grants of \$35,625 in 2015, \$30,175 and in 2016 and a \$15,000 in 2017.

HNB invested \$3 million to develop a facility that will feature 36 one-bedroom apartments and 4 two-bedroom apartments with common areas for elderly households (62 and older). Nineteen units will be restricted to households at or below 60 percent of the area median income, and twenty-one units will be restricted to households at or below 50 percent area median, including two units further restricted to households at or below 20 percent median.

HNB made several donations and grants totaling \$103 thousand to numerous non-profit organizations that provide affordable housing and community services to low- and moderate-income individuals and families.

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

The bank finances an interactive web-based financial literacy program directed to low-to-moderate income individuals. Each course provides modules that delivers educational information on affordable housing and details the steps of buying a home.

During the evaluation period, four officers provided financial and technical expertise by serving on the Board of Director of three different community development organizations.

Three officers provided financial and technical expertise by serving on the Board of Directors of a non-profit organization that provides affordable housing to low- and moderate-income individuals and families.

One bank officer provided financial and technical expertise by serving on the Board of Directors of a non-profit organization who provides employment opportunities to low-to-moderate individuals.

One bank officer serves on the board of a local non-profit organization that supports life enhancement learning for low-to moderate-income individuals.

One officer provided financial and technical expertise by serving as President and Treasurer of a local organization that provides affordable housing for low- and moderate-income individuals.

One bank officer served on the board of a local non-profit organization that helps low- and moderate-income individuals achieve economic independence.

The bank accepts rental payments for residents of a low-income housing project and keeps the records of these transactions at no cost to a local non-profit organization whose primary purpose is affordable housing for low-income individuals and families.

## **Responsiveness to Community Development Needs**

HNB's community development activities, as a whole, demonstrate satisfactory responsiveness to the community development needs of its Wayne & Susquehanna Counties – Non-MSA AA, especially when considering the bank's capacity, its performance context, and the availability of community development opportunities in the bank's AA.

### **Pike County AA**

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

During the review period, HNB originated 8 CD loans totaling \$3.6 million dollars. The bank originated three loans totaling \$1.6 million dollars for the financing of a new store located in a moderate-income geography, a \$300 thousand dollar loan to a small business promoting economic development, and \$76 thousand dollar loan to a small business located in a moderate-income geography.

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

HNB made two qualifying donations for \$5,400 to emergency responders that support low-to-moderate income geographies.

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

During the evaluation period, three officers provided financial and technical expertise by serving on the Board of Directors of a community development organization.

One bank employee provided financial and technical expertise by serving on an advisory council for low- to moderate-income seniors.

HNB has two full service branches in this AA. Both of these branches are located in moderate-income geographies. By operating these two branches in these locations, HNB is helping to provide retail and community development services to this area.

## **Responsiveness to Community Development Needs**

HNB's community development activities, as a whole, demonstrate adequate responsiveness to the community development needs of its Pike County AA.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (1/01/2015 to 12/31/2017) Investment and Service Tests and CD Loans 3/14/ 2015 to 4/2/2018	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The Honesdale National Bank Honesdale, PA	Mortgage loans, CD loans, investments, and services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>None</i>	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Lackawanna County, Luzerne County, Wyoming County AA Pike County AA Wayne County, Susquehanna County AA	All received full- scope review.	For the period from January 1, 2015 through December 31, 2016, the data from 2010 U.S. Census was used in our analysis. For the period from January 1, 2017 through December 31, 2017, data from the 2010 was also used in our analysis but modified to include 2017 Office of Management and Budget census updates.

## Appendix B: Community Profiles for Full-Scope Areas

### Description of Assessment Area(s)

HNB has three assessment areas (AAs) located in northeastern Pennsylvania. The AAs are described below.

#### Lackawanna County-Luzerne County- Wyoming County AA

HNB's first assessment area was the Lackawanna County-Luzerne County- Wyoming County AA. The following chart provides a summary of demographic information for the Lackawanna County-Luzerne County- Wyoming County AA from 2015 to 2016.

Demographic Information for Full Scope Area Lackawanna County-Luzerne County- Wyoming County AA (2015-2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	166	2.41	21.08	58.43	17.47	0.60
Population by Geography	548,495	2.22	18.87	57.23	21.67	0.00
Owner-Occupied Housing by Geography	152,706	0.70	14.83	60.57	23.90	0.00
Business by Geography	34,426	5.79	15.28	57.61	21.19	0.14
Farms by Geography	729	0.55	8.37	59.95	31.14	0.00
Family Distribution by Income Level	142,998	20.39	18.08	21.62	39.92	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	54,996	2.64	26.18	57.37	13.80	0.00
Median Family Income	56,045	Median Housing Value		123,531		
FFIEC Adjusted Median Family Income 2016	60,400	Unemployment Rate***				
Households Below Poverty Level	13%	Lackawanna County		4.8%		
		Luzerne County		5.8%		
		Wyoming County		5.4%		

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

Source: 2010 US Census, 2016 FFIEC updated MFI

\*\*\* The U.S. Bureau of Labor and statistics December 2016.

The AA was comprised of Lackawanna, Luzerne, and Wyoming Counties, which was part of the Scranton-Wilkes-Barre MSA #42540. HNB designated all the census tracts in Lackawanna, and Luzerne Counties and all but four census tracts in Wyoming County as its AA. The four census tracts not designated as part of the bank's AA were in the western part of the county and cannot be reasonably serviced by the bank's nearest branch location. The four census tracts were middle-income tracts. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Of the 166 census tracts, 2.41 percent were low-income geographies, 21.08 percent were moderate-income geographies, 58.43 percent were middle-income geographies, and 17.47 percent were upper-income geographies.

The 2010 U.S. Census reported the total population of the AA at 548,495. Within the AA, there were 142,998 families and 222,324 households. There were 251,311 housing units, of which 60.76 percent were owner-occupied, 27.70 percent were rental-occupied, and 11.53 percent were vacant housing units. Approximately 0.70 percent of owner-occupied housing was located in a low-income geography, 14.83 percent were located in a moderate-income geography, 60.57 percent were located in middle-income geographies, and 23.90 percent were located in upper-income geographies. The median housing cost was \$123,531.

The median family income for 2016 was \$56,045. Approximately 20.39 percent of the families were low-income, 18.08 percent were moderate-income, 21.62 percent were middle-income, and 39.92 percent were upper-income. Approximately 13 percent were below the poverty level.

There were five full service branches and a loan origination office located in this AA. The branch offices offer full lines of traditional banking products and services, have extended hours Friday evening and Saturday morning hours.

According to the June 30, 2016 FDIC Summary of Deposit Market Share Report, HNB's deposit market share within the AA was 0.76 percent, ranking HNB 15 out of 21 institutions in the AA. HNB's primary competitors were: PNC Bank, NA (29 offices, 24.57 percent market share), Manufacturers and Traders Trust Company (13 offices, 9.06 percent market share), Wells Fargo, NA (15 offices, 8.58 percent market share), Community Bank, NA (25 offices, 8.41 percent market share), and Peoples Security Bank and Trust Company (15 offices, 8.23 percent market share).

The economy was stable. The major employers sectors in Lackawanna County were state and local government, health care, and education. The major employers were Allied Services Foundation, Scranton School District, state government, and Community Medical Center. The major sectors in Luzerne County were State government, retail trade, and health care. The major employers were Luzerne County Government, Amazon DEDCO LLC, and Geisinger Wyoming Valley Medical Center. The major employers in Wyoming County were Proctor & Gamble Paper Products, Wal-Mart Inc., Exel Inc., and Wyoming County Employees.

According to the December 2016 Bureau of Labor Statistics data, the unemployment rates for the counties within the bank's assessment area were: Lackawanna County was 4.8 percent, Luzerne County is 5.8 percent, and Wyoming County is 5.4 percent.

During this examination, we contacted one community organization whose primary purpose is economic development. The contact indicated that opportunities exist for community development and that local financial institutions were active in the community and address the area's banking and credit needs.

For the period from January 1, 2017 through December 31, 2017, data from the 2010 U.S. Census was used in our analysis but was modified to include 2017 Office of Management and Budget census updates. These changes required a separate analysis of data of updated 2017 information in certain lending tests. The following chart provides a summary of demographic information for the Lackawanna County- Luzerne County- Wyoming County AA for 2017.

Demographic Information for Full Scope Area: Lackawanna, Luzerne, and Wyoming Counties (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	166	3.61	25.30	50.60	19.28	1.20
Population by Geography	546,751	3.28	21.08	51.65	23.45	0.54
Owner-Occupied Housing by Geography	147,691	1.68	14.68	56.18	27.43	0.43
Business by Geography	34,347	2.77	19.70	51.52	23.83	2.17
Farms by Geography	742	1.35	10.65	52.43	35.584	0.00
Family Distribution by Income Level	137,594	21.47	17.56	20.51	40.46	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	53,702	5.50	27.83	51.71	14.88	0.90
Median Family Income		59,887	Median Housing Value		129,585	
FFIEC Adjusted Median Family Income 2017		59,500	Unemployment Rate			
Households Below Poverty Level		15%	Lackawanna County		4.5%	
			Luzerne County		5.4%	
			Wyoming County		4.6%	

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

Source: 2010 US Census, 2017 FFIEC updated MFI

\*\*\* The U.S. Bureau of Labor and statistics December 2017.

In 2017, the Lackawanna, Luzerne, and Wyoming Counties AA remained the same as 2016. There were 166 census tracts, 3.61 percent were low-income geographies, 25.30 percent were moderate-income geographies, 50.60 percent were middle-income geographies, and 9.28 percent were upper-income geographies.

In 2017, Office of Management and Budget updated the 2010 Census information. The updated 2010 U.S. Census reported the total population of the AA at 546,751. Within the AA, there were 137,594 families and 218,622 households. There were 251,367 housing units, of which 58.76 percent were owner-occupied, 28.22 percent were rental-occupied, and 13.03 percent were vacant housing units. Approximately 1.68 percent of owner-occupied housing was located in low-income geographies, 14.68 percent was located in a moderate-income geography, 56.18 percent was located in middle-income geographies, and 27.43 percent was located in upper-income geographies. The median housing cost was \$129,585.

The median family income for 2017 was \$59,887. Approximately 21.47 percent of the families were low-income, 17.56 percent were moderate-income, 20.51 percent were middle-income, and 40.46 percent were upper-income. Approximately 15 percent were below the poverty level.

The number of branches and services offered remained the same as 2016. According to the June 30, 2017 FDIC Summary of Deposit Market Share Report, HNB's deposit market share within the AA was 0.77 percent, ranking HNB 16 out of 22 institutions in the AA. HNB's primary competitors were: PNC Bank, NA (27 offices, 26.44 percent market share), Manufacturers and Traders Trust Company (13 offices, 8.31 percent market share), Community Bank, NA (25 offices, 8.41 percent market share), Peoples Security Bank and Trust Company (15 offices, 8.27 percent market share), and Wells Fargo, NA (14 offices, 8.15 percent market share).

The economy was stable. The major employment sectors and major employers in Lackawanna County, Luzerne County, and Wyoming County remained the same as 2016.

According to the December 2017 Bureau of Labor Statistics data, the unemployment rates for the counties within the bank's assessment area were as follows: Lackawanna County was 4.5 percent, Luzerne County was 5.4 percent, and Wyoming County was 4.6 percent.

### Pike County AA

The bank's second AA was the Pike County AA. The following chart provides a summary of demographic information for the Pike County AA from 2015 to 2016.

Demographic Information for Full Scope Area: Pike County AA (2015 – 2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.00	100.00	0.00	0.00	0.00
Population by Geography	20,041	0.00	100.00	0.00	0.00	0.00
Owner-Occupied Housing by Geography	6,887	0.00	100.00	0.00	0.00	0.00
Business by Geography	1,173	0.00	100.00	0.00	0.00	0.00
Farms by Geography	48	0.00	100.00	0.00	0.00	0.00
Family Distribution by Income Level	5,942	34.33	24.74	22.20	18.73	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,510	0.00	100.00	0.00	0.00	0.00
Median Family Income		90,123	Median Housing Value		226,767	
FFIEC Adjusted Median Family Income 2016		88,800	Unemployment Rate ***		5.8%	
Households Below Poverty Level		8%	Pike County			

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

Source: 2010 US Census and 2016 FFIEC updated MFI.

\*\*\* The U.S. Bureau of Labor and statistics December 2016.

The AA was comprised of Pike County, Pennsylvania, part of the Newark-Union NJ-PA MD #35084. HNB designated all eight census tracts in the county as its AA. All the census tracts were moderate-income. There were no low-income, middle-income, or upper-income geographies in the AA. The counties of Essex, Hunterdon, Morris, Sussex, and Union Counties, New Jersey were excluded because the bank does not operate in the state of New Jersey. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

The 2010 U. S. Census reported the total population of the AA at 20,041. Within the AA, there were 5,942 families and 8,206 households. There were 18,263 housing units, of which, 37.71 percent were owner-occupied, 7.22 percent were rental-occupied, and 55.07 percent were vacant housing units. All owner-occupied housing units were located in moderate-income geographies. The median housing cost was \$226,767.

The 2016 median family income was \$90,123. Approximately 34.33 percent of the families were low-income, 24.74 percent were moderate-income, 22.20 percent were middle-income, and 18.73 percent were upper-income. Approximately 8 percent of households were below the poverty level.

There were two full service branches located in moderate-income geographies in this AA. Both branches have automated teller machines (ATMs), offer a full line of traditional banking products and services, have extended hours on Friday evening, and have Saturday morning hours.

According to June 30, 2016 FDIC Summary of Deposit Market Share report, HNB's deposit market share within their AA, Pike County was 6.15 percent, ranking HNB six out of seven institutions in the AA. HNB's primary competitors in Pike County were: Wells Fargo Bank, NA (four offices, 31.98 percent market share), Dime Bank (two offices, 18.59 percent market share), Wayne Bank (three offices, 18.52 percent market share), Citizens Bank of PA (two offices, 12.62 percent market share), and NBT Bank, NA (two offices, 11.79 percent market share).

The economy in this AA was stable. The major employment sectors were services, hospitality, tourism, retail trade, and education. The major employers were Woodloch Pines, Inc., Delaware Valley School District, Wallenpaupack School District, and Pike County. According to the June 2016 Bureau of Labor Statistics data, the unemployment rate for Pike County was 5.8 percent.

For the period from January 1, 2017 through December 31, 2017, data from the 2010 U.S. Census was used in our analysis but was modified to include 2017 Office of Management and Budget census updates. These changes required a separate analysis of data of updated 2017 information in certain lending tests. The following chart provides a summary of demographic information for the Pike County AA for 2017.

Demographic Information for Full Scope Area: Pike County AA (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.00	100.00	0.00	0.00	0.00
Population by Geography	19,823	0.00	100.00	0.00	0.00	0.00
Owner-Occupied Housing by Geography	6,948	0.00	100.00	0.00	0.00	0.00
Business by Geography	1,151	0.00	100.00	0.00	0.00	0.00
Farms by Geography	48	0.00	100.00	0.00	0.00	0.00
Family Distribution by Income Level	5,852	35.56	26.25	19.500	18.69	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,617	0.00	100.00	0.00	0.00	0.00
Median Family Income	95,579	Median Housing Value		204,297		
FFIEC Adjusted Median Family Income 2017	99,800	Unemployment Rate		3.63%		
Households Below Poverty Level	9%	Pike County ***				

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

Source: 2010 US Census and 2017 FFIEC updated MFI.

\*\*\* The U.S. Bureau of Labor and statistics December 2017.

HNB's assessment area for 2017 remains the same as 2016. As in 2016, all eight census tracts were moderate-income. There were no low-income, middle-income, or upper-income geographies in the AA. The counties of Essex, Hunterdon, Morris, Sussex, and Union Counties, New Jersey were excluded because the bank does not operate in the state of New Jersey. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

In 2017, Office of Management and Budget updated the 2010 Census information. The updated 2010 U.S. Census reported the total population of the AA at 19,823. Within the AA, there were 5,852 families and 8,114 households. There were 18,760 housing units, of which, 37.04 percent were owner-occupied, 6.22 percent were rental-occupied, and 56.75 percent were vacant housing units. All of the owner-occupied housing units were located in moderate-income geographies. The median housing cost was \$204,297.

The 2017 median family income was \$95,579. Approximately 35.56 percent of the families were low-income, 26.25 percent were moderate-income, 19.50 percent were middle-income, and 18.69 percent were upper-income. In 2017, approximately 9 percent of households were below the poverty level.

The number of branches and services offered remained the same as 2016.

According to June 30, 2017 FDIC Summary of Deposit Market Share report, HNB's deposit market share within their AA, Pike County was 6.31 percent, ranking HNB six out of seven institutions in the AA. HNB's primary competitors in Pike were similar to 2016.

The economy was stable in 2017. The major employment sectors and employers remained similar. According to the June 2017 Bureau of Labor Statistics data, the unemployment rate for Pike County was 5.7 percent.

## Wayne & Susquehanna Counties-Non-MSA-AA

HNB's third assessment area was the Wayne & Susquehanna Counties-Non-MSA AA. The following chart provides a summary of demographic information for the Wayne & Susquehanna Counties-Non-MSA AA from 2015 to 2016.

Demographic Information for Full Scope Area: Wayne & Susquehanna Counties-Non-MSA-AA (2015 - 2016)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	0.00	0.00	90.00	10.00	0.00
Population by Geography	75,579	0.00	0.00	90.73	9.27	0.00
Owner-Occupied Housing by Geography	22,997	0.00	0.00	91.36	8.64	0.00
Business by Geography	4,534	0.00	0.00	89.21	10.79	0.00
Farms by Geography	305	0.00	0.00	93.44	6.56	0.00
Family Distribution by Income Level	19,822	16.75	18.14	23.51	41.60	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,916	0.00	0.00	91.57	8.43	0.00
Median Family Income FFIEC Adjusted Median Family Income 2016 Households Below Poverty Level		50,163 56,000 11%	Median Housing Value Unemployment Rate *** Wayne County Susquehanna County	161,907 5.8% 5.3%		

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

Source: 2010 US Census and 2016 FFIEC updated MFI.

\*\*\* The U.S. Bureau of Labor and statistics December 2016.

The AA contains all 14 census tracts in Wayne County and six of the eleven census tracts in Susquehanna County. The five census tracts not designated as part of the bank's AA were in the western part of Susquehanna County and cannot be reasonably serviced by the bank's nearest branch location. None of the 20 census were identified as low-income or moderate-income geographies. The AA contained 90.00 percent middle-income geographies and 10.00 percent upper-income geographies. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2010 U.S. Census reported the total population of the AA at 75,579. Within the AA, there were 19,822 families and 28,820 households. There were 44,230 housing units, of which, 51.99 percent were owner-occupied, 13.17 percent were rental-occupied, and 34.84 percent were vacant housing units. The median housing value was \$161,907.

The median family income was \$50,163. Approximately 16.75 percent of the families were low-income, 18.14 percent were moderate-income, 23.51 percent were middle-income, and 41.60 percent were upper-income. Approximately 11 percent were below the poverty level.

There were six full service branches located in this AA along with the bank's Corporate Center. All six branches have ATMs, offer a full line of traditional banking products and services, have extended hours on Friday evening, and have Saturday morning hours. There is no ATM located at the Corporate Center, but there is a full service branch directly across the street.

According to the June 30, 2016 FDIC Summary of Deposit Market Share report, HNB's deposit market share within this AA was 18.29 percent, ranking it second out of 12 institutions in the AA. HNB's primary competitors were: Peoples Security Bank and Trust Company (five offices, 19.36 percent market share), The Dime Bank (five offices, 17.36 percent market share), NBT Bank, NA (eight offices, 13.29 percent market share), and Wayne Bank (five offices, 12.77 percent market share).

The economy was stable. The major employment sectors in Wayne County were federal and local government, health care and social assistance, and accommodation and food services, and education. The major employers were the Pennsylvania state government, Wayne County Memorial Hospital Association, Wayne County Commissioners, and Wayne Highlands School District. The major employment sectors for Susquehanna County were local government, retail trade, and health care and social assistance. The major employers were Barnes-Kasson Hospital, Rockford Corporation, Endless Mountains Health Care and Mountain View School District, and Elk Lake School District.

According to the September 2016 Bureau of Labor Statistics data, the unemployment rate for Wayne County was 5.8 percent and the unemployment rate for Susquehanna County was 5.3 percent.

For the period from January 1, 2017 through December 31, 2017, data from the 2010 U.S. Census was used in our analysis but was modified to include 2017 Office of Management and Budget census updates. These changes required a separate analysis of data of updated 2017 information in certain lending tests. The following chart provides a summary of demographic information for the Wayne & Susquehanna Counties-Non-MSA-AA for 2017.

Demographic Information for Full Scope Area: Wayne & Susquehanna Counties-Non-MSA-AA (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	0.00	15.00	80.00	5.00	0.00
Population by Geography	73,776	0.00	13.76	81.37	4.87	0.00
Owner-Occupied Housing by Geography	22,343	0.00	11.29	82.45	6.26	0.00
Business by Geography	4,569	0.00	19.94	76.03	4.03	0.00
Farms by Geography	303	0.00	5.28	85.48	9.24	0.00
Family Distribution by Income Level	19,372	17.09	17.53	22.80	42.59	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,705	0.00	20.57	76.17	3.27	0.00
Median Family Income		50,163	Median Housing Value	169,831		
FFIEC Adjusted Median Family Income 2017		56,000	Unemployment Rate ***			
Households Below Poverty Level		11%	Wayne County	5.3%		
			Susquehanna County	4.5%		

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

Source: 2010 US Census and 2017 FFIEC updated MFI.

\*\*\*The U.S. Bureau of Labor and statistics December 2017.

In 2017, the AA remained the same as 2016. However, the OMB census changes resulted in one census tract in Wayne County and two census tracts in Susquehanna County changing to moderate-income geographies. The AA contained 15.00 percent moderate-income geographies, 80.00 percent middle-income geographies, and 5.00 percent upper-income geographies. The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

In 2017, Office of Management and Budget updated the 2010 Census information. The updated 2010 U.S. reported the total population of the AA at 73,776. Within the AA, there were 19,372 families and 28,525 households. There were 44,362 housing units, of which, 50.37 percent were owner-occupied, 13.94 percent were rental-occupied, and 35.70 percent were vacant housing units. The median housing value was \$169,381.

The median family income was \$50,163. Approximately 17.09 percent of the families were low-income, 17.53 percent were moderate-income, 22.80 percent were middle-income, and 42.59 percent were upper-income. Approximately 11 percent were below the poverty level.

There were six full service branches located in this AA along with the Corporate Center. All six branches have ATMs, offer a full line of traditional banking products and services, have extended hours on Friday evening, and have Saturday morning hours. There is no ATM located at the Corporate Center, but there is a full service branch directly across the street.

According to the June 30, 2017 FDIC Summary of Deposit Market Share report, HNB's deposit market share within this AA was 17.88 percent, ranking it second out of 12 institutions in the AA. HNB's primary competitors were: Peoples Security Bank and Trust Company (five offices, 19.75 percent market share), The Dime Bank (five offices, 16.58 percent market share), NBT Bank, NA (eight offices, 13.68 percent market share), and Wayne Bank (five offices, 13.17 percent market share).

The economy was stable. The major employment sectors in Wayne County were federal and local government, health care and social assistance, and accommodation and food services, and education. The major employers were the Pennsylvania state government, Wayne County Memorial Hospital Association, Wayne County Commissioners, and Wayne Highlands School District. The major employment sectors for Susquehanna County were local government, retail trade, and health care and social assistance. The major employers were Barnes-Kasson Hospital, Rockford Corporation, Endless Mountains Health Care, Mountain View School District, and Elk Lake School District.

According to the September 2017 Bureau of Labor Statistics data, the unemployment rate for Wayne County was 5.3 percent and the unemployment rate for Susquehanna County was 4.5 percent.