



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank of Adams County
Charter No. 13198**

**218 North Market Street
West Union, Ohio 45693**

Office of the Comptroller of the Currency

**Central District Office
One Financial Place, Suite 2700
Chicago, Illinois 60605**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The National Bank of Adams County** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 5, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY**.

The National Bank of Adams County exhibits a satisfactory performance record. This rating is supported by:

- A substantial majority of the home mortgage, small business, and small farm loans originated between June 30, 1994 and June 30, 1997 were within the bank's assessment area. However, the loan-to-deposit ratio is less than reasonable given the bank's size and condition, and the credit needs of the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels.
- Of the small business and farm loans sampled, 83% were made to businesses and farms with annual gross revenues less than \$100,000.

The following table indicates the performance level of the National Bank of Adams County with respect to each of the five performance criteria.

Small Institution Assessment Criteria	National Bank of Adams County Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio			X
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The National Bank of Adams County (NBAC) is a \$47 million financial institution with its only office located in West Union, Ohio. The main office has a drive-up facility and an ATM. The main office is located in a moderate-income Block Numbering Area (BNA 9904).

NBAC's primary business focus is lending to individuals (residential real estate and retail). They offer a limited variety of home mortgage products due to their conservative lending approach. Home mortgage products include 5-year and 10-year balloons with a loan to value of 80% or less. They do not offer any adjustable rate mortgage products. In addition to NBAC's lending products, other local financial institutions offer a variety of lending products that meet the credit needs of borrowers within the assessment area (AA). NBAC's gross loans increased from \$11 million at June 30, 1994 to \$17 million at June 30, 1997, as reported in the Consolidated Report

of Condition. At June 30, 1997, the loan portfolio consisted of the following loan types:

	VOLUME	% OF GROSS LOANS
Residential Real Estate	\$7,709	45%
Commercial Real Estate	\$1,720	10%
Secured by Farmland	\$2,001	12%
Commercial Loans	\$1,310	7%
Individual Loans	\$4,101	24%
Agricultural Loans	\$ 396	2%

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its AA. NBAC's CRA rating as of June 30, 1994 was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consists of all of Adams County. Adams County is comprised of BNAs 9901 through 9906. The six BNAs are characterized as follows: five moderate-income and one middle-income (9902). There are a total of 10,237 housing units in the bank's AA with 6,725 or 65% being owner occupied units. The AA meets the requirements of the regulation and does not arbitrarily exclude low-income or moderate-income geographies.

The Department of Housing and Urban Development's (HUD) estimate of the 1997 Ohio Statewide Non-metropolitan Median Family Income is \$38,800. The 1990 U.S. Census Median Family Income is \$30,563. The bank's AA has a population of 25,371. The distribution of families among income categories is as follows: 39% are low income, 18% are moderate income, 20% are middle income, and 23% are upper income.

The local economy is improving. The unemployment rate for Adams County was 8.8% for September 1997, down from 10.3% at September 1996. It was one of eight counties in Ohio with unemployment rates above 7.0%. The major employers in the community are the Ohio Valley School District, Cedar Works, Wal-mart, General Electric, and Dayton Power & Light. Many people also commute to the Cincinnati metropolitan area for employment. Competition is provided by several local financial institutions and branches of larger financial institutions.

We conducted one interview with a local real estate broker to ascertain the credit needs of the community. The credit needs of the assessment area include consumer loans (residential and installment loans) and loans to small businesses. The local financial institutions are meeting

these needs. The community contact interview did not identify any unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and assessment area credit needs.

During the past 12 quarters (9/30/94 to 6/30/97) the bank's loan-to-deposit ratio went from a low of 27.67% at September 30, 1994 to a high of 45.51% at June 30, 1997, with an average loan-to-deposit ratio of 37.20%. Financial institutions with total assets of \$50 million or less and located in Ohio had an average loan-to-deposit ratio of 67.50% as of June 30, 1997. There are no financial institutions of comparable size serving the same area to provide for comparison of net loan to deposit ratios. Based upon the performance evaluations of the financial institutions in the AA, the loan to deposit ratios ranged from 45% to 88% with total assets ranging from \$20 million to \$75 million.

Due to management's conservative lending approach and a limited variety of home mortgage products, the bank's loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio is improving and the credit needs of the community are being met by a combination of all the financial institutions in the AA.

Lending in Assessment Area

A substantial majority of loans are in the bank's assessment area.

A sample of the bank's home mortgage, small business, and small farm loans originated from 6/30/94 to 6/30/97 was taken to determine the percentage of lending within the bank's AA. We sampled 14 home mortgage loans (home purchase, refinance, and home improvement) which was approximately 7% of the outstanding loans secured by 1-4 family residential properties as reported on the 6/30/97 Consolidated Report of Condition. We also sampled 8 small business loans which approximated 18% of the outstanding commercial and industrial loans. In addition, we sampled 10 small farm loans which represented about 20% of the outstanding loans to finance agricultural production and other loans to farmers, as reported on the 6/30/97 Consolidated Report of Condition.

All of the bank's real estate, small business, small farm, and consumer loans originated from 6/30/94 to 5/31/97, were reviewed by management as part of their 1997 Internal CRA Analysis Report. The real estate section included both residential and commercial real estate loans, the

small business section included both large and small business loans, and the consumer section included retail and home improvement loans. As a result, we took a separate sample because the bank's analysis did not distinguish residential from commercial real estate loans, included both large and small business loans, and included home improvement loans within the consumer loan category versus home mortgage loans.

The following table shows the number and dollar percentage of our sample of home mortgage, small business, and small farm loans made inside the bank's AA. The table shows that a substantial majority of the loans are made inside the bank's AA. Ninety-five percent of home mortgage loans, 100% of small business, and 95% of small farm loans were within the bank's AA. The results from our sample were very similar to the bank's internal analysis which included all loans made during the evaluation period.

Lending In Assessment Area				
Loan Category	#	%	\$ (000)	%
Home Mortgage	13	93%	525	95%
Small Business	8	100%	202	100%
Small Farm	10	91%	75	95%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

The following table shows a reasonable penetration of the distribution of home mortgage loans among borrowers of different incomes within the AA. The sample included 13 home mortgage loans originated from 6/30/94 to 6/30/97. Based on 1990 census information, the AA consists of five moderate-income and one middle-income BNA. Our review of the home mortgage loan sample revealed that the majority of the loans, based on number originated, were made to moderate- and middle-income borrowers. Based upon the performance evaluations from other local financial institutions, our sample results are consistent with the results of the financial institutions serving the same area.

Distribution of Home Mortgage Loans Among Individuals within the AA				
	Low Income	Moderate Income	Middle Income	Upper Income

Distribution of Home Mortgage Loans Among Individuals within the AA								
	#	\$	#	\$	#	\$	#	\$
6/30/94 to 6/30/97	8%	2%	31%	28%	23%	14%	38%	56%
AA	39%		18%		20%		23%	

We sampled 8 small business and 10 small farm loans originated between 6/30/94 and 6/30/97, within the AA. The following table is the distribution among different sizes of businesses and farms. This table illustrates that 83% of the loans were made to small businesses and farms with gross revenues less than \$100,000. The distribution represents reasonable penetration among businesses and farms of different sizes given the demographics of the area.

Distribution of Small Business Loans and Small Farm Loans within the AA				
Revenue (in \$000's)	#	%	\$ (000)	%
<100	15	83%	218	79%
100-250	2	11%	55	20%
250-1,000	1	6%	4	1%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following tables represent our sample of the distribution of home mortgage, small business, and small farm loans among the six BNAs within the bank's AA. The bank makes the majority of their loans to borrowers located in the moderate-income BNAs. This distribution is consistent with the demographic make-up of the AA. Our sample and the bank's 1997 Internal CRA Analysis Report revealed reasonable dispersion throughout the AA, with loans made in all BNAs.

Geographic Distribution of Loans by Type		
	Moderate- Income BNAs	Middle- Income BNA (9902)

Geographic Distribution of Loans by Type				
Type of Loan	#	\$ (000)	#	\$ (000)
Home Mortgage	11	480	2	45
	85%	91%	15%	9%
Small Business	7	192	1	10
	88%	95%	12%	5%
Small Farm	8	37	2	38
	80%	49%	20%	51%
COMBINED TOTAL	84%	88%	16%	12%

Geographic Distribution of Loans by BNA						
	Assessment Area		Assessment Area		Population	Percent of Population
	#	%	\$(000)	%		
9901	4	13%	157	19%	4,526	18%
9902	5	16%	94	12%	4,007	16%
9903	3	10%	7	1%	5,019	20%
9904	8	26%	355	44%	4,844	19%
9905	7	22%	77	10%	3,359	13%
9906	4	13%	112	14%	3,616	14%
TOTAL	31	100%	\$802	100%	25,371	100%

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting

the credit needs of the AA.

Other Considerations

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.