



Comptroller of the Currency

PUBLIC DISCLOSURE

June 30, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Eaton National Bank and Trust Company
Charter No. 7557**

**110 West Main Street
Eaton, Ohio 45320**

Office of the Comptroller of the Currency

**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 **Eaton National Bank & Trust Company** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 30, 1996. 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**.

Eaton National Bank & Trust Company adequately complies with the CRA. A majority of the bank's residential mortgage, small farm and small business loans are in the bank's assessment area and the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following table indicates the performance level of Eaton National Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(NAME OF FINANCIAL INSTITUTION)</u> 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

Eaton National Bank & Trust Company (ENB), is a \$101 million financial institution with its principal office located in Eaton, Ohio. ENB is owned by Colonial Banc Corp., which is also located in Eaton, Ohio. ENB's assets represent more than 99% of the holding company's assets. The bank has two branches in Eaton and additional branches in Lewisburg, New Paris and West Alexandria. All branches, except the North Barron Street branch in Eaton have drive-up facilities. The North Barron Street branch is located in a local grocery store and is open until 8:00 p.m. during the week and from 10:00 a.m. to 3:00 p.m. on Saturdays.

ENB's primary business focus is lending to individuals (residential and retail), small businesses and farms. They offer a variety of lending products to accommodate borrowers within their assessment area (AA). ENB'S gross loans increased from \$58 million at December 1993 to \$66 million at June 1996, as reported in the June 30, 1996 Consolidated Report of Condition. At June 30, 1996, the loan portfolio consisted of the following loan types:

	VOLUME	% OF GROSS LOANS
Loans to individuals	\$22.8 million	34%
Real Estate loans	\$39.5 million	60%
Agricultural loans	\$543 thousand	1%
Commercial loans	\$2.5 million	4%
Other loans	\$823 thousand	1%

There are no financial or legal impediments impacting the bank's ability to help meet the credit needs within its assessment area. ENB's last CRA rating was issued December 31, 1992.

DESCRIPTION OF ASSESSMENT AREA

ENB's assessment area is Preble County. There are three branches of regional national banks, one branch of a large savings & loan, five smaller state and national banks and one finance company located within the assessment area. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies.

Preble County consists of twelve townships, ten of which are divided into census tracts; however, the county is not in a Metropolitan Statistical Area (MSA). Census information indicates that all census tracts are middle income. According to 1990 census information, the non-MSA median family income for Ohio is \$35,800, and the median family income for Preble County is \$31,188. Income levels of households located in the assessment area are as follows:

# Households	% Low Income Households	% Moderate Income Households	% Middle Income Households	% Upper Income Households	% Total Households
14347	13.92%	13.51%	20.98%	51.60%	100%

The local economy is diversified into manufacturing, wholesale, retail trade, and agricultural businesses. Major employers include Parker-Hannifin, Henny Penny Corp. and Neaton Auto Products. The Preble County unemployment rate for June, 1996, was 4.2%, slightly less than the 5.1% for June, 1995.

We interviewed one individual employed with an organization interested in promoting community economic development during our evaluation of ENB's CRA performance. Through discussions with bank management and the individual we learned community credit needs include small business loans, low income residential housing loans, and educating small businesses about financial management.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

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

During the past fourteen quarters the bank's ratio of gross loans to deposits ranged from 68.57% at March 31, 1993 to 75.03% at June 30, 1996. The average loan to deposit ratio during that period was 71.76%. We compared the ratio of the bank's net loans and leases to deposits to the ratio for banks in Indiana and Ohio with total assets between \$100 and \$300 million. At 6/30/96 the bank's ratio of 73.66% is comparable to the competing banks' ratio of 78.04% at the same date.

Lending in Assessment Area

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

ENB's CRA officer annually prepares a geocoding of residential mortgage, home equity, small business and small farm loans. The geocoding annually concludes that the majority of the bank's loans are originated within the assessment area. The information is reviewed annually by the bank's Board of Directors and senior management.

We reviewed the bank's geocoding for 1993 through 1995 and used bank prepared reports for the first six months of 1996 to assess the level of lending in the assessment area during that period. The following table shows that 92% of residential mortgage and home equity loans, 82% of small farm loans and 81% of small business loans originated from January 1, 1993 to June 30, 1996 were within the bank's assessment area.

Type of Loan	# of Loans Inside the AA	# of Loans Outside the AA	# of Total Loans
Res. Mortgage %	559 92%	48 8%	607 100%
Small Business %	94 81%	22 19%	116 100%
Small Farm %	23 82%	5 18%	28 100%

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.

Based on 1990 census information, the assessment area consists of middle income census tracts. Our review of residential mortgage and home equity loans originated from January 1, 1993 through December 31, 1995 revealed that the majority of loans were made to middle and upper income borrowers. This is consistent with the demographic make up of the Assessment area.

	Gross Income in Low-Income Category	Gross Income in Moderate-Income Category	Gross Income in Middle-Income Category	Gross Income in Upper-Income Category	Total
# of Res. Mtg. Loans	28	66	113	229	436
% of Total	6%	15%	26%	53%	100%
\$ of Res. Mtg. Loans	692,880	1,785,864	4,292,188	11,120,419	17,891,351
% of Total	4%	10%	24%	62%	100%

Income information for residential mortgage loans made between January 1, 1996 and June 30, 1996 was not readily available. We reviewed a sample of twenty-six residential mortgage loans made in the assessment area during that period. The income distribution of the sample was consistent with results for loans made between January 1993 and December 1995.

Gross revenues information for small farms and small businesses to which the bank originated loans between January 1, 1993 and June 1996 was not readily available. We sampled 37 small business loans originated in the assessment area between that period to determine revenue

distributions. The following table shows that loans were made to all revenue levels, with 43% of the sample being made to small businesses with gross revenues less than \$100 thousand.

	Gross Revenues Less than \$100M	Gross Revenues \$100-250M	Gross Revenues \$250-1MM	Total
# of loans to small business	16	6	15	37
% of Total	43%	16%	41%	100%

Geographic Distribution of Loans

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

The majority of ENB's lending activity occurs around its branch locations, with the remaining loans evenly dispersed throughout the assessment area. This is evidenced on the annual geocoding of lending activity prepared by the CRA Officer.

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the assessment area.

Other Considerations

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