



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 03, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community First Bank, National Association
Charter Number 7518**

**118 East Lima Street
Forest, Ohio 45843**

**Comptroller of the Currency
Central Ohio
325 Cramer Creek Court Suite 101
Dublin, Ohio 43017**

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, 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 Community First Bank, N.A., Forest, Ohio as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of January 3, 2005. 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: The bank has a **Satisfactory** record of meeting community credit needs. This rating is supported by:

- The bank's lending activity indicates reasonable dispersion to borrowers of different income levels and businesses of different sizes;
- A substantial majority of the bank's lending activity occurs within its assessment area and is reasonably dispersed throughout the area; and
- The bank's current and 21 quarter average loan-to-deposit ratios are reasonable when compared with the ratios of its peer banks.

DESCRIPTION OF INSTITUTION

Community First Bank, N.A. (CFB) is a wholly owned subsidiary of a one-bank holding company, Community First BancShares, Inc. The main offices of both CFB and the holding company are located in the village of Forest, Ohio, which is approximately 70 miles northwest of Columbus, Ohio. CFB operates two full-service branches in the cities of Kenton and Upper Sandusky. Out of the three offices, the bank primarily offers retail products and services with a strong focus on residential real estate, as well as some agricultural and commercial products and services. In addition to ATMs at all three offices, the bank has three off-premise ATMs located throughout their assessment area.

As of the September 30, 2004 Call Report Information, the bank had \$39.2 million in total assets with net loans representing approximately 82.4% of that asset base. Residential real estate loans account for 55.5% of the bank's loan portfolio, farmland and agriculture loans represent 22%, commercial and industrial loans 9.6%, consumer loans 6.6%, and various other categories 6.3%.

At the prior CRA examination, as of October 18, 1999, the bank received a satisfactory CRA rating. No legal or financial impediments exist that could restrict the institution's ability to serve the community's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's Assessment Area (AA) consists of two contiguous counties, Hardin and Wyandot.

Hardin County consists of seven census tracts (CT). Based on the 2000 U.S. Census data, all seven CTs are middle-income. However, in the 1990 U.S. Census, one CT was defined as moderate-income. Wyandot County consists of six middle-income CTs. CFB holds approximately 4.5% of all AA deposits, according to the June 30, 2004 FDIC market share report. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The economic condition of the AA is good. The AA is primarily rural with an agricultural focus, but does contain several manufacturing and retail businesses. Larger employers include M-Tek, Inc., Ohio Northern University, Blackhawk Automotive, The Budd Company/Plastics Division, and International Paper. As of November 2004, the unemployment rates of Hardin and Wyandot counties are 6.2% and 4.5%, respectively. The rates of both counties compare favorably to the 6.5% unemployment rate for Ohio. Hardin County exceeds the national unemployment rate of 5.4%.

Overall competition for loans and deposits within the bank's marketing area is fairly aggressive, stemming principally from two large community banks, branches of two regional banks, and two savings and loan associations.

During our examination, we met with a community contact in each of the two counties of the bank's assessment area. Both contacts believed that the local institutions were meeting the credit needs of the communities. One contact stated that within the village of Upper Sandusky housing prices were high and there was a need for more affordable housing.

1990 Census Information:

The 1990 Census shows that the AA had a population of 53,365. The HUD 2002 updated median family income for the non-metropolitan statistical areas of Ohio is \$48,700. The AA consists of 18.3% low-income, 18.9% moderate-income, 26.2% middle-income, and 36.6% upper-income families. The AA had 20,572 housing units with 69% owner-occupied. The median housing value was \$44,937. Farms with revenues of less than \$1 million (considered small farms for the regulation) account for 96.96% of all farms in the AA.

2000 Census Information:

The 2000 Census shows that the AA had a population of 54,853. The HUD 2004 updated median family income for the non-metropolitan statistical areas of Ohio is \$48,500. The AA consists of 16% low-income, 21% moderate-income, 25.3% middle-income, and 37.7% upper-income families. The AA had 22,231 housing units with 69% owner-occupied. The median housing value was \$78,009. Farms with revenues of less than \$1 million account for 95.9% of all farms in the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period includes years governed by both the 1990 and 2000 census data. Therefore, performance analysis was segregated using two different lending samples to accommodate the changes in the demographic composition. This situation primarily affects the

areas of income and geographic dispersion. Loans with origination dates of January 1, 2003 and later were compared to 2000 census data, and loans originated before 2003 were evaluated using 1990 census data.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable. Since the last CRA examination (21 quarters), the bank's quarterly LTD ratio averaged 79.05%. This is within the range average exhibited by national peer banks (70.37%) and regional peer banks (82.21%). Regional peer consists of three banks that have at least one office in the same cities as CFB. The bank's LTD ratio (94.78%) as of September 30, 2004 is within the range (65%-103%) exhibited by the three local institutions used in the comparison.

Lending in Assessment Area

The bank lends a substantial majority of the time within its AA. Over the three-year period for which the sample loans were reviewed, lending in the AA occurred between 92% and 95% based on number of loans (84% and 89% based on dollar of loans).

Table 1 - Lending in the AA 2002

| Loan Type | Number of Loans | | | | Total | Dollars of Loans | | | | Total |
|-------------------|-----------------|------|---------|------|-------|------------------|------|---------|------|-------|
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Residential Loans | 20 | 100 | N/A | N/A | 20 | 1,625 | 100 | N/A | N/A | 1,625 |
| Farm Loans | 15 | 88.2 | 2 | 11.8 | 17 | 1,207 | 78.2 | 336 | 21.8 | 1,543 |
| Totals | 35 | 94.6 | 2 | 5.4 | 37 | 2,832 | 89.4 | 336 | 10.6 | 3,168 |

Source: Loan sample

Table 2 - Lending in the AA 2003 and 2004

| Loan Type | Number of Loans | | | | Total | Dollars of Loans | | | | Total |
|-------------------|-----------------|-------------|---------|------|-------|------------------|-------------|---------|------|-------|
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Residential Loans | 39 | 97.5 | 1 | 2.5 | 40 | 3,469 | 98.5 | 53 | 1.5 | 3,522 |
| Farm Loans | 47 | 87.0 | 7 | 13.0 | 54 | 3,400 | 72.1 | 1,316 | 27.9 | 4,716 |
| Totals | 86 | 91.5 | 8 | 8.5 | 94 | 6,869 | 84.4 | 1,369 | 16.6 | 8,238 |

Source: Loan sample

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

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels and businesses of different sizes. In both evaluation periods, the bank made loans to borrowers with low- and moderate-income levels that exceeded the census demographics. Penetration to borrowers with moderate-income levels was

especially good. The percent of farms with annual revenues less than or equal to \$1 million is very high for the AA. The bank did a reasonable job of lending to those farm businesses (see the following tables for detail).

| Table 3 - Borrower Distribution of Residential Real Estate Loans in AA | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Sample Year | % 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 |
| 2002 | 18.32* | 20.00 | 18.94* | 30.00 | 26.16* | 20.00 | 36.58* | 30.00 |
| 2003-2004 | 16.00** | 17.50 | 21.01** | 35.00 | 25.28** | 10.00 | 37.71** | 37.50 |

Source: Loan sample, *1990 U.S. Census data, ** 2000 U.S. Census data

| Table 4 - Borrower Distribution of Loans to Farms in AA for 2002 | | | | |
|---|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses – 1990 | 97.0% | 2.2% | .80% | 100% |
| % of Bank Loans in AA by # | 100% | 0 | N/A | 100% |
| % of Bank Loans in AA by \$ | 100% | 0 | N/A | 100% |

Source: 1990 U.S. Census data and loan sample

| Table 4A - Borrower Distribution of Loans to Farms in AA for 2003 and 2004 | | | | |
|---|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses - 2000 | 95.9% | 1.6% | 2.5% | 100% |
| % of Bank Loans in AA by # | 98.0% | 2.0% | N/A | 100% |
| % of Bank Loans in AA by \$ | 87.3% | 12.7% | N/A | 100% |

Source: 2000 U.S. Census data and loan sample

Geographic Distribution of Loans

The geographic distribution of loans in moderate-income areas is reasonable and reflects that the bank is lending in most tracts. The analysis is performed to determine if the bank is lending in CTs defined as low- or moderate-income within their AA. The 1990 census data showed a single moderate-income CT. At the time of the 2000 census, all of the CTs were middle-income. Therefore, the analysis is meaningful only for the sample of loans compared to the 1990 census data.

Residential real estate lending in the moderate-income tract approximates census demographics and is considered reasonable. The opportunity for farm lending is limited since only eight farms are located in the moderate-income tract. Therefore, the absence of farm loans in that CT is not a significant factor.

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| Table 5 - Geographic Distribution of Residential Real Estate Loans in AA |
|---|

| Census Tract Income Level | Moderate | | | Middle | | |
|---------------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|-----------------------------|----------------------|
| Sample Year | % of AA Owner Occupied Housing | % of Dollar Amount of Loans | % of Number of Loans | % of AA Owner Occupied Housing | % of Dollar Amount of Loans | % of Number of Loans |
| 2002 | 8.26* | 8.86 | 5.00 | 91.74* | 91.14 | 95.00 |
| 2203 and 2004 | N/A | N/A | N/A | 100** | 100 | 100 |

Source: Loan sample, * 1990 U.S. Census data, ** 2000 U.S. Census data

| Table 6 - Geographic Distribution of Loans to Farms in AA | | | | | | |
|--|---------------|-----------------------------|----------------------|--------------------------------|-----------------------------|----------------------|
| Census Tract Income Level | Moderate | | | Middle | | |
| Sample Year | % of AA Farms | % of Dollar Amount of Loans | % of Number of Loans | % of AA Owner Occupied Housing | % of Dollar Amount of Loans | % of Number of Loans |
| 2002 | 1.32* | 0 | 0 | 98.68* | 100 | 100 |
| 2203 and 2004 | N/A | N/A | N/A | 100** | 100 | 100 |

Source: Loan sample, * 1990 U.S. Census data, ** 2000 U.S. Census data

Qualified Investments and CD Services (Optional)

The bank did not have any qualified investments or CD services.

Responses to Complaints

The bank has not received any complaints about its CRA performance during the review period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.