



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

November 25, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Waterford Bank, N.A.
Charter Number 24685
3900 N. McCord Rd.
Toledo, OH 43617

Office of the Comptroller of the Currency
Northern Ohio Field Office
200 Public Square Suite 1610
Cleveland, OH 44114-2301

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: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors supporting this rating include:

- The institution's loan-to-deposit (LTD) ratio is reasonable, and meets the standard for satisfactory performance.
- The institution originated or purchased a majority of its loans inside its assessment area (AA) during the evaluation period.
- The institution's distribution of its primary loan product (small loans to businesses) reflects reasonable penetration to businesses of different sizes.
- The institution's geographic distribution of its primary loan product demonstrates an excellent distribution throughout its AA.
- The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs in its AA, based upon its record of qualified loans, investments, and services, and its capacity to participate in CD activities.
- The institution did not receive any complaints pertaining to its performance in helping meet the credit needs within its AA.

Loan-to-Deposit Ratio

Considering Waterford Bank, N.A.'s (Waterford or bank) size and financial condition, and the credit needs of its AA, its LTD ratio is reasonable.

Waterford's LTD ratio is calculated on a bank-wide basis, and meets the standard for satisfactory performance. During the evaluation period, the bank's average quarterly LTD ratio was 85.8 percent, and quarterly ratios ranged from a high of 95.7 percent in the first quarter of 2016 to a low of 78.6 percent in the third quarter of 2017. In comparison, the average LTD for the one other similarly situated institution in the AA was 93.7 percent, and ranged from a high of 98.7 percent to a low of 89.8 percent. The bank also sells its home mortgage loans to the secondary market, and sold more than \$173 million in loans during the evaluation period. Furthermore, the bank experienced approximately \$200 million in deposit growth during the evaluation period.

Competition for deposits in Waterford's AA is considerable, with 20 institutions operating branch offices in the AA. The top four competitors are large multi-state banks, and combined have over 70 percent of the AA's deposits. There is significantly more competition for loans in the AA, with 300 lenders originating home mortgage loans and 87 originating business loans.

Lending in Assessment Area

A majority of the loans that Waterford originated or purchased during the evaluation period were inside its AA. This conclusion is based upon information obtained from the bank's Home Mortgage Disclosure Act (HMDA) data, as well as a statistical sample of 90 business loans originated between January 1, 2016, and December 31, 2018. As shown in Table A, the bank originated or purchased 82.1 percent by number, and 75.8 percent by dollar amount, of its total business and home mortgage loans within its AA during the evaluation period.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans (000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	776	81.1	181	18.9	957	149,306	75.1	49,390	24.9	198,696
Business Loans	83	92.2	7	5.8	90	14,975	83.0	3,079	17.0	18,054
Total	859	82.1	188	17.9	1,047	164,281	75.8	52,469	24.2	216,750

Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0

Description of Institution

Waterford is a \$729.2 million intrastate bank headquartered in Toledo, Ohio. It is a wholly-owned subsidiary of Waterford Bancorp, Inc., a one-bank holding company headquartered in the same building as the bank. The bank has two full-service branches, including its main office. The main office is west of downtown Toledo, near Sylvania, Ohio, and the other branch is located in Perrysburg, Ohio. Waterford does not operate any automated teller machines (ATMs). The bank's primary business strategy is to focus on business loans, with a secondary emphasis on home mortgage loans. Bank management designated all of Lucas County and portions of northern Wood County as the bank's AA, which is comprised of contiguous geographies and does not arbitrarily exclude any low- or moderate-income census tracts (CTs).

The AA has a competitive banking environment, with a mixture of large banks and community banks operating in the area, as well as a number of credit unions. According to the June 30, 2018, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share report, 20 insured financial institutions with 149 offices serve the AA. This does not include credit unions or other financial service providers. Waterford ranked seventh in terms of deposit market share, with 5.8 percent of the AA's insured deposits. Top competitors for deposits in the AA include Fifth Third Bank, Huntington National Bank, Key Bank, and PNC Bank, which had a combined 70.7 percent of the deposit market as of June 30, 2018.

There are no legal, financial, or other factors impeding Waterford's ability to help meet the credit needs of its AA. As of December 31, 2018, the bank's Tier 1 capital totaled \$76.6 million, or 10.5 percent of its total assets. The bank received a "Satisfactory" rating as a result of its previous Community Reinvestment Act (CRA) Performance Evaluation, dated December 1, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation assesses Waterford's record of meeting the credit needs of its AA. We performed a full-scope review using Intermediate-Small Bank CRA procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of the bank's AA through its business and home mortgage lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA, through qualified lending, investments and donations, and services. The evaluation period for lending activity covers January 1, 2016, through December 31, 2018, while the evaluation period for CD activity covers January 1, 2015, through December 31, 2018.

We evaluated Waterford's lending performance for the year 2016 separately from 2017 and 2018 due to changes resulting from the Federal Financial Institutions Examination Council's (FFIEC) analysis of American Community Survey (ACS) data that became effective on January 1, 2017. The ACS data resulted in updated population and housing demographic information, as well as changes to the income designations of some CTs. The 2017 and 2018 analysis period will receive more weight than 2016, as this period included a larger portion of the bank's lending activity. Based on the bank's internal reports for lending activity during the evaluation period and discussions with senior management, we determined that the bank's primary lending focus during the evaluation period was commercial/business loans with a secondary emphasis on home mortgage loans. Although the bank offers other products, they are not a lending focus of the bank. Therefore, farm, multi-family, and consumer loans are not considered as part of this performance evaluation, as an analysis would not be meaningful.

We also used other supporting information in this performance evaluation, including 2010 U.S. Census data, 2015 ACS data, 2016 through 2018 HMDA Loan Application Registers, internal bank records, deposit market share data, and information from governmental websites regarding the characteristics and economy of Waterford's AAs. We also considered information from community contacts to help assess the needs of the bank's AA, and the opportunities for financial institutions to lend and provide services within that area.

Selection of Areas for Full-Scope Review

Waterford has one AA in the state of Ohio, and we performed a full-scope review of that AA. The AA is comprised of Lucas County in its entirety, and nine CTs in Wood County. The AA is part of the Toledo Metropolitan Statistical Area (MSA). Please refer to *Appendix A – Scope of Examination* for more information on this AA.

Ratings

Waterford's overall rating is based on the bank's performance within its AA. In reaching our conclusions, we weighed information from the following performance criteria: lending within the AA, lending to borrowers of different incomes and businesses of different sizes, the geographic distribution of the bank's loans, and CD activity.

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.

State Rating

State of Ohio

CRA rating for Ohio: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development test is rated: Outstanding

The major factors that support the rating for the State of Ohio include:

- Waterford's record of lending to businesses of different sizes is reasonable, and the bank's geographic distribution of small loans to businesses among different income geographies is excellent.
- The bank demonstrated excellent responsiveness to the CD needs and opportunities of its AA through CD loans, investments, and services.
- The bank did not receive any complaints regarding its performance in helping to meet the credit needs within its AA during the evaluation period.

Description of Institution's Operations in Ohio

Waterford offers traditional banking products including commercial, commercial real estate, small business, home mortgage, and consumer loans. The bank does not actively market consumer loans, and offers them primarily as a service to current business customers. The bank also offers government insured mortgage loans, which provide no or low-down payment options. The bank's range of consumer deposit products and services includes checking and savings accounts, certificate of deposits, electronic and mobile banking, and ATM network access. Business related deposit products and services include checking accounts, cash management services, remote deposit capture, and wire transfers.

A majority of Waterford's lending occurs in Lucas and Wood Counties, surrounding the Toledo and Perrysburg branches. These branches offer identical products and operate 8:30 A.M. to 5:00 P.M., Monday through Friday. The Perrysburg location also offers drive-thru services. Both branches are located in upper-income CTs, according to 2015 ACS data. In addition, the bank has two loan production offices located in Bryan, Ohio and Findlay, Ohio. The loan production offices do not offer customer deposit services. The bank does not operate any ATMs, but offers customers a \$30 waiver on fees or ten free transactions per month at any ATM location. The bank did not open or close any branch locations during the evaluation period.

Waterford's loan portfolio increased 26.5 percent during the evaluation period. As of December 31, 2018, the bank's loan portfolio totaled \$595.3 million, of which 65.8 percent was secured by real estate. The loan portfolio is 41.2 percent non-farm non-residential, 32.5 percent commercial and industrial, 10.1 percent construction and land development, 8.2 percent 1-4 family residential, 6.1 percent multi-family, and less than 2.0 percent other loans. Small business lending continues to be the primary focus for the bank, with a secondary emphasis on home mortgage loans. During

the evaluation period, loan originations consisted of 66.2 percent commercial/business loans, 25.5 percent home mortgages loans, and 8.3 percent consumer loans (based on dollar amount). Furthermore, a majority of deposit accounts at the bank are business-related accounts.

There is significant competition for loans in the AA. Based on 2016 and 2018 mortgage loan data, Waterford ranked 11th and 14th, respectively, among 288 and 300 lenders originating or purchasing home mortgage loans within the AA. The bank's market share of mortgage loans was approximately two percent in both years, which is competitive given the total number of competitors' branches in the AA. The top five home mortgage loan lenders in the AA are large banks and mortgage companies, which hold a combined 33.6 percent of the market as of December 31, 2018. The top five business lenders in the AA are large banks, which account for 54.3 percent of the business lending in the AA. Waterford does not report its small business loan data.

The AA is located in northwestern Ohio, and includes both urban and suburban neighborhoods. Toledo is the primary city within the AA, and contains most of the AA's low- and moderate-income CT's. Based on 2015 ACS data, the number of low-income CTs increased by 25 percent during the evaluation period. As of the 2010 U.S. Census, the AA included 31 upper-income CTs, 50 middle-income CTs, 28 moderate-income CTs, and 27 low-income CTs. According to the 2015 ACS data, the AA now includes 30 upper-income CTs, 46 middle-income CTs, 25 moderate-income CTs, and 35 low-income CTs.

Based on a comparison of 2010 U.S. Census and 2015 ACS data, the number of owner-occupied housing units declined by 6.7 percent during the evaluation period, while the number of rental-occupied units increased by 11.3 percent. A majority of non-farm businesses in the AA are small. According to both 2010 U.S. Census and 2015 ACS data, a significant majority of businesses in the AA had less than five employees, operated from a single location, and had less than \$1 million in gross annual revenues. Service and retail trade business sectors accounted for 60.3 percent of the employers within the AA, according to June 2018 Dun & Bradstreet data. Major employers include ProMedica Health Systems, The University of Toledo, and Mercy Health Partners.

Moody's Analytics reports that the AA's economy is still in a recovery stage as it continues to underperform compared to the rest of Ohio, due to continued population loss, above average employment volatility, and the lack of high-tech jobs. According to the U.S. Department of Labor, the unadjusted average annual unemployment rate for Lucas County remained fairly steady throughout the evaluation period, and was 5.3 percent as of December 31, 2018. The state-wide unemployment rate declined during the evaluation period, to 4.6 percent as of December 31, 2018.

We considered information obtained from four community organizations within the AA. The four focus on affordable housing and services, neighborhood revitalization, small business loans, and homebuyer education. They identified funding for loans to small businesses and rehabilitation housing projects, and access to funding and financial education for low- and moderate-income borrowers, as CD and credit needs of the AA. Small dollar consumer loan products would also provide an alternative to payday lending. Demographic information for the full-scope assessment area is contained in the tables below.

Table B-1: Demographic Information of the Assessment Area						
Assessment Area: Toledo - 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	136	19.9	20.6	36.8	22.8	0.0
Population by Geography	485,403	11.9	18.9	39.3	30.0	0.0
Housing Units by Geography	221,996	13.4	20.2	39.5	26.9	0.0
Owner-Occupied Units by Geography	129,443	7.3	15.7	41.9	35.1	0.0
Occupied Rental Units by Geography	67,519	20.7	26.0	37.7	15.6	0.0
Vacant Units by Geography	25,034	25.2	28.0	31.9	14.9	0.0
Businesses by Geography	26,345	7.9	15.7	39.4	37.0	0.0
Farms by Geography	615	3.1	10.4	41.1	45.4	0.0
Family Distribution by Income Level	122,478	23.2	17.1	19.8	39.9	0.0
Household Distribution by Income Level	196,962	26.1	15.9	16.7	41.3	0.0
Median Family Income Toledo, OH MSA		\$58,200	Median Housing Value			\$124,521
			Median Gross Rent			\$638
			Families Below Poverty Level			13.0%

Source: 2010 U.S. Census and 2016 D&B data. Due to rounding, totals may not equal 100.0. () The NA category consists of geographies that have not been assigned an income classification.*

Table B-2: Demographic Information of the Assessment Area						
Assessment Area: Toledo 2017-2018						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	136	25.7	18.4	33.8	22.1	0.0
Population by Geography	480,491	15.5	16.7	37.3	30.5	0.0
Housing Units by Geography	221,620	17.3	17.4	37.7	27.6	0.0
Owner-Occupied Units by Geography	120,778	8.5	14.7	40.2	36.6	0.0
Occupied Rental Units by Geography	75,155	25.1	19.6	37.5	17.7	0.0
Vacant Units by Geography	25,687	35.4	23.9	26.7	14.0	0.0
Businesses by Geography	26,526	14.5	10.8	35.2	39.5	0.0
Farms by Geography	634	4.3	9.9	38.0	47.8	0.0
Family Distribution by Income Level	118,234	24.8	16.5	18.8	39.9	0.0
Household Distribution by Income Level	195,933	27.1	15.6	15.9	41.5	0.0
Median Family Income Toledo, OH MSA		\$60,528	Median Housing Value			\$109,538
			Median Gross Rent			\$683
			Families Below Poverty Level			15.5%

Source: 2015 ACS data and 2018 D&B data. Due to rounding, totals may not equal 100.0. () The NA category consists of geographies that have not been assigned an income classification.*

Scope of Evaluation in Ohio

We performed a full-scope review for Waterford's only AA. The Lending Test covered the bank's primary loan product (business loans) and secondary loan product (home mortgage loans) from January 1, 2016, through December 31, 2018. Based on loan origination data, we placed more weight on small loans to businesses, given the bank's emphasis on commercial/business lending, in order to arrive at our conclusions. As the bank is not required to report small business lending data, we based our small loans to businesses lending-related conclusions on a statistical sample of 90 business loans originated during the evaluation period. The CD test evaluated the bank's responsiveness to the CD needs and opportunities in the AA through CD loans, investments, and services, and covered the period from January 1, 2015 through December 31, 2018.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN OHIO

LENDING TEST

The bank's performance under the Lending Test in the state of Ohio is rated Satisfactory.

Distribution of Loans by Income Level of the Geography

Waterford's geographic distribution of small loans to businesses and home mortgage loans is reasonable. For comparative purposes in drawing our conclusions, we considered the percentage of owner-occupied housing units and number of businesses and households in low- and moderate-income CTs, as well as aggregate geographic distribution data in the Toledo AA.

We also considered demographic factors that could affect the bank's ability to lend. These factors include competition from larger institutions, the bank's limited branch presence, and the location of the majority of businesses and owner-occupied housing. For example, better lending opportunities exist in the AA's middle- and upper-income CTs, as they contain 76.8 percent of the AA's owner-occupied housing units as of the 2015 ACS. While a significant majority of businesses are also located in the middle- and upper-income CTs, 2018 Dun & Bradstreet data reflects a 7.4 percent increase in the number of small businesses located in low- and moderate-income CTs during the evaluation period.

Small Loans to Businesses

Refer to Tables Q-1 and Q-2 in *Appendix D* for the facts and data used to evaluate Waterford's geographic distribution of small loans to businesses.

Waterford's geographic distribution of small loans to businesses reflects excellent dispersion throughout the AA, considering the level of competition from other banks, credit unions, and non-bank financial institutions for business loans. Based on our statistical sample of small loans to businesses between January 1, 2016, and December 31, 2016, the bank originated 10.0 percent of its small loans to businesses in low-income CTs, and 16.7 percent in moderate-income CTs. Between January 1, 2017, and December 31, 2018, the bank originated 18.8 percent of its small loans to business in low-income CTs, and 11.4 percent in moderate-income CTs. These

percentages exceeded both the percentage of businesses located in low- and moderate-income CTs, and the percentage of aggregate lending in those CTs during the evaluation period.

Home Mortgage Loans

Refer to Tables O-1 and O-2 in *Appendix D* for the facts and data used to evaluate Waterford's geographic distribution of home mortgage loans.

In our analysis, we considered the fact that while 80.0 percent of the housing units located in low- and moderate-income CTs are single family homes, only 36.4 percent are owner-occupied according to 2015 ACS data. Furthermore, low- and moderate-income CTs experienced a 14.5 percent increase in the number of vacant units between the beginning of 2016 and the end of 2018. During 2017 and 2018, Waterford purchased 22 loans from Huntington Bank to improve its lending performance in low- and moderate-income CTs and to low- and moderate-income borrowers. However, even after consideration of these factors, the bank's distribution of home mortgage loans among geographies of different income levels throughout the AA is poor.

During 2016, Waterford originated or purchased 1.5 percent of its home mortgage loans in low-income CTs, and 3.3 percent in moderate-income CTs. The bank's lending in 2017 and 2018 is similar to 2016, as the bank originated or purchased 1.4 percent of its home mortgage loans in low-income CTs, and 5.1 percent in moderate-income CTs. This is significantly less than the percentages of the AA's owner-occupied housing units located in low- and moderate-income CTs, at 7.3 percent and 15.7 percent, respectively, in 2016, and 8.5 percent and 14.7 percent, respectively, in 2017 and 2018. Despite its lower volume of home mortgage lending in low- and moderate-income CTs, the bank ranked 22nd out of 127 lenders for home mortgages within low- and moderate-income CTs in the AA in 2016, 21st out of 138 lenders in 2017, and 28th out of 140 lenders in 2018.

Reported HMDA data shows that other banks in the AA also have difficulty lending in low- and moderate-income CTs, as the aggregate percentages of loans in low- and moderate income CTs were also significantly below the percentage of the AA's owner-occupied housing unit that were in those AAs during the evaluation period.

Distribution of Loans by Income Level of the Borrower

Waterford's distribution of small loans to businesses of different sizes, and individuals of different income levels, is reasonable given the product lines offered by the bank. We placed more weight on the bank's record of lending to businesses of different sizes, due to its emphasis on commercial/business lending and deposit services. In evaluating the borrower distribution of home mortgage loans, we considered the AA's poverty rate and related barriers to home ownership, the level of competition from large banks, and the bank's limited branch network.

Small Loans to Businesses

Refer to Tables R-1 and R-2 in *Appendix D* for the facts and data used to evaluate Waterford's distribution of small loans to businesses.

Waterford's distribution of small loans to businesses reflects reasonable penetration among businesses of different sizes. Based on our statistical sample of small loans to businesses originated during 2016, the bank made 63.3 percent of its loans to businesses with gross annual revenues of \$1 million or less. During 2017 and 2018, the bank made 58.5 percent of its loans to businesses with gross annual revenues of \$1 million or less. While these percentages are less than the percentage of businesses in the AA that have gross annual revenues of \$1 million or less, they exceed the aggregate lending percentages of 43.8 percent and 47.3 percent, respectively.

Home Mortgage Loans

Refer to Tables P-1 and P-2 in *Appendix D* for the facts and data used to evaluate Waterford's distribution of home mortgage loans to borrowers of different income levels.

In drawing our conclusion we considered that according to 2010 U.S. Census data, 13.0 percent of families within the AA live below the poverty level. According to 2015 ACS data, that percentage increased to 15.5 percent during the evaluation period. People living below the poverty level, which includes low- and moderate-income families, often have difficulty qualifying for conventional home mortgage products without flexible terms or reduced closing costs. We also considered the age of the housing stock within the AA, noting that the median age of housing units in low- and moderate- income CT's is 71 and 67 years old, respectively. Older homes often cost more to maintain, frequently require significant repairs, and are typically less energy efficient. All of these factors add to the overall cost of homeownership, which can affect the ability of low- and moderate-income individuals to afford their own homes and qualify for home mortgage loans.

Despite the mitigating conditions noted above, Waterford's distribution of home mortgage loans among borrowers of different income levels is poor. During 2016, Waterford originated or purchased 4.1 percent and 11.1 percent of its home mortgage loans to low- and moderate-income borrowers, respectively. This is significantly less than the 23.2 percent and 17.1 percent of families in the AA that are low-income and moderate-income, respectively. It is also below the aggregate lending percentages of 7.2 percent and 17.3 percent to low- and moderate-income borrowers, respectively. During 2017 and 2018, the bank's only originated 3.8 percent of its home mortgage loans to low-income borrowers, compared to 24.8 percent of AA families that are low-income and 9.6 percent of aggregate loans that were to low-income borrowers. However, the bank originated or purchased 13.3 percent of its loans to moderate-income borrowers, which is near both the 16.5 percent of families in the AA that are moderate-income, and the aggregate lending families in the AA and the 20.7 percent aggregate lending percentage to moderate-income borrowers.

Responses to Complaints

Waterford did not receive any complaints pertaining to the CRA during the evaluation period.

Community Development Test

Waterford’s performance under the CD Test in the State of Ohio is rated Outstanding.

Considering Waterford’s capacity, its community’s needs, and the availability of CD opportunities in the AA, the bank’s CD performance through CD loans, investments, and services demonstrates an excellent responsiveness to the needs of the AA.

Number and Amount of Community Development Loans

Waterford’s level of CD lending demonstrates excellent responsiveness to CD needs within its AA. Qualified CD lending activity consisted of nine loans totaling approximately \$5.4 million within the bank’s AA. In drawing our conclusion, we considered the competition for CD loans within the AA from larger financial institutions.

Examples of community development lending included:

- Two loans totaling \$1.9 million to convert a nursing home into affordable assisted living apartments for low- and moderate-income persons who qualify under the Ohio Medicaid Reimbursement program.
- An \$800,000 line of credit for construction of three residential homes for low- and moderate-income individuals with mental disabilities.
- A \$500,000 line of credit to a non-profit organization participating in Federal Title III programs, which provide services to elderly low- and moderate-income individuals.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Toledo	2	68	54	2,859	56	100.0	2,927	100.0		

Waterford’s level of qualified investments and donations demonstrates excellent responsiveness to the CD needs of its AA. During the evaluation period, the bank made 54 qualified CD investments and donations totaling over \$2.8 million. Furthermore, the bank had two prior period low-income housing tax credit (LIHTC) investments with an outstanding value of \$68,120 as of December 31, 2018. Investments made during the evaluation period included:

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

- A \$2.5 million investment in a LIHTC which benefited the AA. The investment in the LIHTC helped create and preserve 2,401 affordable housing units statewide by providing funding for 44 multifamily housing projects located in Ohio, one of which is located within the bank's AA and contains over ten percent of the LIHTC's total housing units. The purpose of the projects was to provide affordable housing units benefiting low- and moderate-income geographies or individuals.
- Two certificates of deposits totaling \$290,000 at a local Community Development Financial Institution (CDFI) located in a low-income CT that provides financial services to low- and moderate-income individuals in the AA.
- Qualifying CD donations totaling over \$68,000 to local community organizations within the AA. The donations benefitted CD initiatives for affordable housing and social services to low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

Retail Services

Waterford's Toledo and Perrysburg branch locations are both located in upper-income CTs. However, the Perrysburg branch is located near two low-income and two moderate-income CTs and provide access to financial services in that area. The bank's hours and days of operation, and available services, are provided consistently between the branches. The bank does not operate ATMs, but waives up to \$30 in fees or ten transactions per month with unlimited debit card transactions to help provide more access to funds. To increase customer accessibility to financial services, the bank also offers alternative delivery systems including online or telephone banking, bill pay, and mobile banking.

Community Development Services

Waterford demonstrates an excellent level of responsiveness to community needs by providing a variety of CD services through financial and technical expertise offered to non-profit groups involved in affordable housing, social services for low- and moderate-income individuals, and financial literacy through the following activities:

- Five employees serve on the board/executive committees of non-profit organizations primarily focused on serving the basic needs of low- and moderate-income families. Two employees served as president/chairman, while one employee was a treasurer.
- Two employees sit on committees reviewing grants/loan applications for community development activities in the AA.
- Two employees teach basic banking and financial literacy courses to students at schools located in low- and moderate-income CTs.
- One employee annually completes tax returns for low- and moderate-income families.

Furthermore, employees participated in other non-qualifying volunteer, outreach, and fundraising service activities that benefitted low- and moderate-income individuals and non-profit organizations located within the bank's 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 MSAs and non-MSAs 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”.

Time Period Reviewed:	Lending Test (excludes CD loans): (01/01/16 to 12/31/18) Investment, Service Tests and CD Loans: (01/01/15 to 12/31/18)	
Bank Products Reviewed:	Home mortgage loans and loans to small business CD loans, qualified investments, and CD services	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Ohio - Partial Toledo MSA	Full-Scope	Lucas County and partial Wood County.

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Waterford Bank, N.A.			
Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Waterford Bank	Satisfactory	Outstanding	Satisfactory
State:			
Ohio	Satisfactory	Outstanding	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Ohio Lending

Table O-1: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2016
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Toledo	271	55,502	100.0	7.3	1.5	1.6	15.7	3.3	8.0	41.9	25.5	42.8	35.1	69.7	47.6	0.0	0.0	0.0	

Source: 2010 U.S Census data, 01/01/2016 - 12/31/2016 bank data, and 2016 HMDA aggregate data. Due to rounding, totals may not equal 100.0. Aggregate percentages include 1-4 family residential and manufactured homes, and combined home purchase, home refinance, and home improvement loans originated or purchased.

Table O-2: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2017-18
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Toledo	505	93,804	100.0	8.5	1.4	2.7	14.7	5.1	9.7	40.2	27.3	41.5	36.6	66.1	46.2	0.0	0.0	0.0	

Source: 2015 ACS data, 01/01/2017 - 12/31/2018 bank data, and 2018 HMDA aggregate data. Due to rounding, totals may not equal 100.0. Aggregate percentages include 1-4 family residential and manufactured homes, and combined home purchase, home refinance, and home improvement loans originated or purchased.

Table P-1: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2016
Assessment Area:	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Toledo	271	55,502	100.0	23.2	4.1	7.2	17.1	11.1	17.3	19.8	23.2	22.8	39.9	59.8	38.4	0.0	1.8	14.3	
<i>Source: 2010 U.S Census data, 01/01/2016 - 12/31/2016 bank data, and 2016 HMDA aggregate data. Due to rounding, totals may not equal 100.0. Aggregate percentages include 1-4 family residential and manufactured homes, and combined home purchase, home refinance, and home improvement loans originated or purchased.</i>																			

Table P-2: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017-18
Assessment Area:	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Toledo	505	93,804	100.0	24.8	3.8	9.6	16.5	13.3	20.7	18.8	20.2	22.5	39.9	59.4	35.2	0.0	3.4	12.0	
<i>Source: 2015 ACS data, 01/01/2017 - 12/31/2018 bank data, and 2018 HMDA aggregate data. Due to rounding, totals may not equal 100.0. Aggregate percentages include 1-4 family residential and manufactured homes, and combined home purchase, home refinance, and home improvement loans originated or purchased.</i>																			

Table Q-1: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2016

Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Toledo	30	9,184	100.0	7.9	10.0	5.5	15.7	16.7	12.2	39.5	30.0	36.9	37.0	43.3	45.5	0.0	0.0	0.0

Source: 2016 D&B data, 01/01/2016 - 12/31/2016 bank data, and 2016 CRA aggregate data. Due to rounding, totals may not equal 100.0

Table Q-2: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2017-18

Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Toledo	53	5,791	100.0	14.5	18.8	12.2	10.8	11.4	10.1	35.2	17.0	32.1	39.5	52.8	45.5	0.0	0.0	0.0

Source: 2018 D&B data, 01/01/2017 - 12/31/2018 bank data, and 2017 CRA aggregate data. Due to rounding, totals may not equal 100.0

Table R-1: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues										2016
Assessment Area:	Total Loans to Small Businesses			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Toledo	30	9,184	100.0	78.9	63.3	43.8	7.9	30.0	13.2	6.7
<i>Source: 2016 D&B data, 01/01/2016 - 12/31/2016 bank data, and 2016 CRA aggregate data. Due to rounding, totals may not equal 100.0</i>										

Table R-2: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues										2017-18
Assessment Area:	Total Loans to Small Businesses			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Toledo	53	5,791	100.0	78.6	58.5	47.3	8.0	26.4	13.4	15.1
<i>Source: 2018 D&B data, 01/01/2017 - 12/31/2018 bank data, and 2017 CRA aggregate data. Due to rounding, totals may not equal 100.0</i>										