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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

September 5, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank of Montpelier  
Charter # 13912  
1201 East Main Street  
Montpelier, Ohio 43543

Office of the Comptroller of the Currency  
Kalamazoo Duty Station  
4341 S. Westnedge, Suite 2108  
Kalamazoo, Michigan 49008

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 Montpelier prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 5, 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 in meeting community credit needs.

The National Bank of Montpelier (NBM) is rated satisfactory because it effectively lends to consumers of all income levels and to businesses of different sizes. NBM's loan to deposit ratio is reasonable. The bank extends the majority of its credit to borrowers within its assessment area.

The following table indicates the performance level of NBM with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	NATIONAL BANK OF MONTPELIER 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

NBM is a \$102 million independent community bank located in Montpelier, Ohio. In addition to its main office on the east side of Montpelier, the bank has branch offices in downtown Montpelier, Pioneer, Ohio, and West Unity, Ohio. Drive-up facilities are located at three of the four offices.

The bank makes consumer, residential, small business, and agricultural loans. As of June 30, 1996, NBM had \$58,989,000 in loans outstanding. This represented 57.6% of the bank's assets. The composition of the loan portfolio is as follows: 73.9% - residential mortgages, 16.4% - commercial and agricultural loans, and 9.7% - loans to individuals. There are no financial, legal, or other impediments limiting the bank's ability to help meet community credit needs. NBM was rated satisfactory at its last CRA examination in February 1990.

## DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area includes the central and northern portions of Williams County, Ohio and the adjacent portions of southern Hillsdale County, Michigan. The area does not arbitrarily exclude any low- and moderate-income areas. However, it does not comply with CRA requirements, because it does not use whole geographies (census tracts).

We modified the assessment area to include only whole geographies. The modified area is all of Williams County, Ohio, without any areas in Michigan. It includes all of the bank's branches and is not a part of an MSA.

The modified area consists of nine census tracts. Based on 1990 Census data, there are no low- and moderate-income areas within Williams County. Seven tracts are medium-income and two are upper-income areas. There are 10,386 families in the modified assessment area. Of these families, 13.2% are low income, 16.9% are moderate income, 27.5% are middle income, and 42.4% are upper income. The 1990 Census median family income for the modified area is \$33,469. This exceeds the Ohio State non-MSA median family income of \$30,563.

The local economy is strong. Manufacturing facilities in Williams County provide local residents with sufficient employment opportunities. The unemployment rate for the County is 4%. Employees of these facilities comprise 33.9% of the workforce, which is twice the Ohio State average. Locally headquartered manufacturers include Aero Corporation (fluid pumps), Ohio Art (Etch-a-Sketch), and Spangler Candy (Dum Dum suckers). There are also several plastic parts manufacturers in the area, most of whom supply the auto industry.

Several financial institutions create a highly competitive environment for NBM within its assessment area. Competitors include a number of community banks, branches of regional banks, thrift institutions, and credit unions.

Representatives from the community organizations we contacted stated that the strong economy creates demand for all types of credit. According to these contacts, financial institutions and community development organizations are meeting the credit needs of the community. This includes funding for small business and affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

NBM's loan to deposit ratio is reasonable. The following table illustrates the trend in the bank's loan to deposit ratio since the last CRA examination and how it compares to its national peer group average. This peer group represents banks of a similar asset size and branch structure.

Loan to Deposit Ratio Trend						
Date	6-30-96	12-31-95	12-31-94	12-31-93	12-31-92	12-31-91
Bank Ratio	64.5%	62.2%	59.8%	50.0%	49.1%	47.2%
Peer Ratio	71.5%	69.3%	68.4%	62.4%	60.3%	59.6%

As the table shows, the bank's loan to deposit ratio has remained below its peers since December 31, 1991. NBM's average ratio for this time period is 57.9%. Both bank and peer ratios have been increasing since the last CRA examination, but the bank's ratio has been increasing faster and closing the gap with the peer.

In 1991, NBM purchased a branch in Pioneer, Ohio, including \$28 million in deposits. This purchase significantly decreased the bank's loan to deposit ratio. Since that time, management has been loaning these funds to individuals and businesses in its community as quickly as possible, while maintaining conservative underwriting standards. Loan growth over the last twelve months has been concentrated in auto loans which increased 42%.

LENDING IN ASSESSMENT AREA

The bank's record of originating loans in its assessment area is good. NBM grants the majority of its loans to individuals and businesses in this area. This is illustrated by the table on the following page.

Lending in the Assessment Area (AA)				
Loan Type	Sample Size (#)	# Within AA	% Within AA	(\$000) Within AA
Commercial/Farm	16	14	87.5	\$825
Residential Real Estate	23	17	73.9	\$713
Consumer Installment	11	7	63.6	\$66
Total	50	38	76.0	\$1,604

We reviewed a sample of 50 loans to determine the proportion originated within the bank's assessment area. The sample included loans from each major loan category and revealed that for each category, a majority of the loans were made to borrowers inside the assessment area. Management prepares an analysis of its loan portfolio by postal ZIP codes. This analysis produced results similar to those from our sample. Most of the borrowers in our sample located outside the bank's assessment area reside in southern Hillsdale County, Michigan. This area is adjacent to the bank's assessment area and near its Pioneer branch.

#### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Using its standard loan products, the bank effectively lends to borrowers of all income levels. In the loan sample discussed above, we were able to determine the income level of 23 of the borrowers located within the bank's assessment area. The following table shows the distribution of these loans based on the borrower's income level. It also compares this distribution to the number of families of each income level in the assessment area, using 1990 Census data.

Lending Distribution by Borrower Income								
Loan Type (Amount \$000's)	Low		Moderate		Middle		Upper	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Residential Real Estate	2	\$100	4	\$82	6	\$272	5	\$259
Consumer Installment	2	\$20	2	\$11	1	\$10	1	\$20
Total	4	\$120	6	\$93	7	\$282	6	\$279
Percentage	17.4	15.5	26.1	12.0	30.4	36.5	26.1	36.0
% of Families	13.2		16.9		27.5		42.4	

The bank’s penetration of the lower and middle income market segments is very good. The table on the previous page shows that the proportion of NBM’s lending to low, moderate, and middle income borrowers exceeds the proportion of families in these groups.

Our sample also revealed that the bank makes a substantial portion of its commercial loans to small businesses and farms. The following table shows the distribution of business and farm loans by gross revenue of the borrower. The loans in the table are those from our sample within the bank's assessment area for which we could determine borrower revenue.

Commercial Lending by Business Revenue				
Revenue Range (\$ 000's)	Less than \$100	\$100 to \$250	\$250 to \$1,000	More than \$1,000
Number	3	3	3	1
Percentage	30.0%	30.0%	30.0%	10.0%
Amount (\$000's)	\$175	\$254	\$137	\$13
Percentage	30.2%	43.9%	23.7%	2.2%

Our sample revealed that approximately 75% of NBM's lending is to businesses and farms with less than \$250,000 in revenue. Some of these businesses have revenue less than \$50,000. The size of most of these commercial loans is also small, with an average original amount of \$57,850.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans within the bank's assessment area is reasonable. Our sample included loans in most census tracts within the assessment area. Of the 38 loans in the assessment area, 36 were in medium income census tracts and 2 were in upper income tracts. One upper income tract (9505) and one middle income tract (9509) did not contain any sample loans. The bank’s ZIP code analysis of its entire loan portfolio shows essentially the same geographic distribution.

The geographic distribution of residential mortgages and consumer loans approximately follows the distribution of families among the tracts within the bank's assessment area. NBM has its highest rate of lending activity in those census tracts which are heavily populated. Most commercial/farm loans are made in the business centers near the Montpelier and Pioneer offices (tracts 9501 and 9503). The two tracts without sample loans are rural tracts with the lowest populations and business concentrations in Williams County.

## RESPONSES TO COMPLAINTS

There have been no CRA-related complaints since the prior CRA examination.

We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations.