



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 7, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The National Bank of Adams County of West Union  
Charter Number 13198**

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

**Comptroller of the Currency  
Central Ohio Field Office  
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 Investment 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 of West Union (National Bank of Adams County)* prepared by the *Office of the Comptroller of the Currency*, the institution's supervisory agency, as of October 7, 2003. The agency rate the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR C.F.R. Part 25.

## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

The National Bank of Adams County has a **SATISFACTORY** record of meeting community credit needs.

- A substantial majority of home mortgage, consumer, small farm and small business loans originated between June 1997 and October 2003 were within the bank's assessment area.
- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.
- The bank's current and 26-quarter average loan to deposit ratio is reasonable.

## DESCRIPTION OF INSTITUTION

The National Bank of Adams County is a \$60 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.

The National Bank of Adams County's primary line of business is lending to individuals for residential and retail purposes. The bank offers a limited selection of residential lending products which is within the Board's expectations. Residential mortgage products include 5-year and 10-year balloon loans with loan to value of 80% or less. The bank does not offer adjustable rate mortgage products. Net loans represent 63% of total assets as of June 30, 2003. The bank is not part of a holding company.

The National Bank of Adams County reported total assets of \$60 million and gross loans of \$38

million as of the June 30, 2003 Consolidated Report of Condition and Income (Call Report). Tier 1 Capital amounted to \$9 million. The loan mix as of June 30, 2003 consisted of the following:

<b>Loan Mix as of September 30, 2002</b>		
<b>Loan Type</b>	<b>\$ 000's</b>	<b>% of Gross loans</b>
<b>Residential Real Estate</b>	29,043	76%
<b>Consumer</b>	6,391	17%
<b>Commercial</b>	2,453	6%
<b>Agricultural</b>	371	1%
<b>Other</b>	0	0%
<b>TOTAL</b>	38,258	100%

Source: June 30, 2003 Uniform Bank Performance Report

Currently, no legal or economic impediments exists that could restrict the institution's ability to serve the community's credit needs. The National Bank of Adams County's CRA rating as of October 20, 1997, was "Satisfactory Record of Meeting Community Credit Needs."

## **DESCRIPTION OF ASSESSMENT AREA (AA)**

The bank's AA consists of all of Adams County Ohio. The AA is comprised of six block-numbering areas (BNAs) numbered 9001-9906. The six BNAs are characterized as follows: five (83%) are moderate-income and one (17%) is middle-income. There are no low-income or upper income geographies in the bank's AA. The AA complies with all regulatory requirements and does not arbitrarily exclude low- or moderate-income areas.

Based on 1990 census data, the AA has a population of 25,371, of which 28% are living below the poverty level and 18% receive some form of public assistance. Of the AA's 10,237 housing units, 6,725 or 65% are owner occupied. The median housing value for the AA is \$35,704. According to 1990 census information, the median family income for Non Metropolitan Statistical Areas (non-MSA) in Ohio is \$30,562.

The Department of Housing and Urban Development's (HUD) estimate of the median family income for non-MSA in areas in Ohio was \$48,700 for 2002. The economic status of families and census tract geographies are categorized as low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income means an individual income or geography that is less than 50% of the Ohio statewide non-MSA updated median family income. Moderate-income means an individual income or geography that is at least 50% and less than 80% of the Ohio statewide non-MSA median family income. Middle-income means an individual income or geography that is at least 80% and less than 120% of the Ohio statewide non-MSA median family income. Upper-income means an individual or geography that is 120% or more than the Ohio statewide non-MSA median family income.

The following table illustrates the demographics of the AA, based upon 1990 census data.

<b>AA Demographic Data (1990)</b>					
<b>Borrower Income Level</b>	<b>Number of BNAs by Income Level</b>	<b>Percentage of BNAs by Income Level</b>	<b>Percentage of Families by Income Level in AA</b>	<b>Percentage of Owner Occupied Units in BNA Category</b>	<b>Percentage of Businesses in BNA Category</b>
<b>Low</b>	0	0%	39%	0%	0%
<b>Moderate</b>	5	83%	18%	84%	87%
<b>Middle</b>	1	17%	20%	16%	13%
<b>Upper</b>	0	0%	23%	0%	0%
<b>Total</b>	6	100%	100%	100%	100%

Source: 1990 U.S. Census Data

The local economy is considered depressed. Per statistics compiled by the Ohio Department of Jobs and family services as of June 2003, Adams County had the fifth highest unemployment rate in Ohio at 13.3% versus the state average of 6.0%. Major economic activities consist of trade, followed by agricultural and government. The bank's AA is largely rural in nature. Competition in the AA is moderate and is represented by regional financial institutions as well as locally owned Savings and Loans and State Banks. Per the Federal Deposit Insurance Corporation's database, The National Bank of Adams County had approximately 18% of Adams County's market share of total deposits as of June 30, 2003.

We conducted one community contact during our examination with a local realtor. The contact stated that while the local credit needs are being met, additional loans to create jobs are needed. The contact also stated that first time homebuyer/low cost mortgage loans would be beneficial.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The bank's performance of residential real estate, consumer and commercial/commercial real estate is considered principally in this CRA examination. These are the bank's primary lending products.

To evaluate the level of residential real estate, consumer and commercial lending, we reviewed a random sample of 20 loans from each loan type from the bank's loan trials. The loans sampled were originated between June 30, 1997 and October 1, 2003. Initially, we used these files to perform the analysis of Lending in the AA, and then disregarded any files originated outside of the AA. Additional files originated within the AA were then selected to ensure a 20-item population of each loan type for the Geographic and Borrower Distribution analyses.

### **Loan-to-Deposit Ratio**

The National Bank of Adams County loan-to deposit ratio (LTD) and its quarterly loan-to-deposit ratio are reasonable and support the standards for satisfactory performance. The bank's June 30, 2003, LTD ratio of 75.39% and average LTD ratio of 59.28% for the 26 quarters since the last CRA examination (June 30, 1997) are reasonable. For analysis purposes, The National Bank of Adams County's current and 26-quarter average LTD ratios were compared to a peer

group consisting of banks with less than \$100 million in assets and located in Ohio. The National Bank of Adams County's LTD ratio as of June 30, 2003 is higher than the LTD average for the peer group of 69.85% as of the same date, while the 26-quarter average for The National Bank of Adams County is lower at 59.28% versus 74.33% for the peer group. The primary cause for the lower than 26-quarter peer average LTD ratio is attributed to the bank's limited branch network (only one branch office) and local economy.

### Lending in Assessment Area

A substantial majority of The National Bank of Adams County's loans are within the AA and the bank's record reflects outstanding performance. A sample of the bank's residential mortgage loans as well as consumer, commercial and agricultural loans originated from June 1997 through October 2003 was reviewed. The sample consisted of 20 loans of each type. The following tables indicate the sample results within the AA by number and dollar percentage and support the conclusion that a substantial majority of loans are made within the bank's AA.

<b>LENDING IN THE AA</b>				
<b>Loan Category</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Residential</b>	20	100%	\$1,048,967	100%
<b>Consumer</b>	19	95%	\$ 183,301	96%
<b>Commercial</b>	19	95%	\$ 784,932	99%
<b>Agricultural</b>	20	100%	\$1,915,622	100%
<b>TOTAL</b>	78	98%	\$3,932,822	99%

Source: Sample of 20 loans of each type originated between June 1997-October 2003

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

The overall distribution of residential real estate and consumer lending among individuals of different incomes, including low- and moderate-income borrowers, and lending to businesses of different sizes reflects reasonable penetration and supports overall satisfactory performance in this area.

The distribution of residential real estate loans reflects reasonable penetration among individuals of different incomes including low- and moderate-income borrowers. The distribution of residential loans is reasonable given the demographics of the AA. The following table illustrates that of the number of residential loans sampled, eight loans or 40% were granted to low-income borrowers, which is in line with the 39% of low-income families (29% based on the 2000 census) in the AA. The National Bank of Adams County made one loan or 5% to moderate-income borrowers, which is less than the 18% (23% based on 2000 census) of moderate-income families in the AA. The percentage of loans to low- and moderate borrowers based on number is slightly lower than the percentage of low- and moderate-income families in the AA based on our sample, but is considered to be reasonable.

<b>BORROWER</b>	<b>DISTRIBUTION OF RESIDENTIAL RE LOANS BY BORROWER INCOME</b>	<b>PERCENTAGE OF</b>
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INCOME LEVEL	# Of Loans	%	\$ Of Loans	%	FAMILIES IN AA BY INCOME CATEGORY	
					1990	2000
<b>Low</b>	8	40%	\$199,966	19%	<b>39%</b>	<b>29%</b>
<b>Moderate</b>	1	5%	\$ 72,075	7%	<b>18%</b>	<b>23%</b>
<b>Middle</b>	7	35%	\$378,926	36%	<b>20%</b>	<b>21%</b>
<b>Upper</b>	4	20%	\$398,000	38%	<b>23%</b>	<b>27%</b>
<b>Total</b>	20	100%	\$1,048,967	100%	<b>100%</b>	<b>100%</b>

Source: Sample of 20 loans originated between June 1997-October 2003 and 1990& 2000 Census data

The bank's distribution of consumer loans to borrowers of different incomes is excellent and supports outstanding performance. As illustrated in the table below, the number of originations for consumer loans exceeds the percentage of households for both low- and moderate income in the AA. While 58% (52% based on 2000 Census) of the families in the AA are categorized as low- or moderate-income, 95% of the consumer loans sampled were granted to low- or moderate-income borrowers.

BORROWER INCOME LEVEL	PERCENTAGE OF CONSUMER LOANS BY BORROWER INCOME				PERCENTAGE OF HOUSEHOLDS IN AA BY INCOME CATEGORY	
	# Of Loans	%	\$ Of Loans	%	1990	2000
<b>Low</b>	13	65%	\$117,684	61%	<b>42%</b>	<b>33%</b>
<b>Moderate</b>	6	30%	\$ 64,638	34%	<b>16%</b>	<b>19%</b>
<b>Middle</b>	1	5%	\$ 9,000	5%	<b>17%</b>	<b>18%</b>
<b>Upper</b>	0	0%	\$ 0	0%	<b>25%</b>	<b>30%</b>
<b>Total</b>	20	100%	\$191,322	100%	<b>100%</b>	<b>100%</b>

Source: Sample of 20 loans originated between June 1997-October 2003 and 1990 & 2000 Census data

The bank's lending to business of different sizes in the AA is satisfactory and reflects the demographics of the bank's AA. According to 1990 census data, 84% of the businesses in the AA reported total revenues of under \$1 million, 3% reported revenue greater than \$1 million, and 13% did not report revenue. As illustrated in the following tables, based on our sample of 20 commercial loans originated in the AA, 85% of the loans were made to businesses with total revenues of less than \$1 million. The results also indicate that a significant majority of the bank's commercial loans are made in amounts less than \$100,000. As reflected in the in the second table, 90% of the number of commercial loans sampled were originated in amounts less than \$100,000.

REVENUE RANGES	LENDING TO BUSINESSES OF DIFFERENT SIZES				BUSINESSES WITHIN THE AA	
	#	%	\$	%	#	%
\$1 Million or Less	17	85%	\$562,203	71%	1,273	84%
Greater than \$1 Million	2	10%	\$202,725	25%	47	3%
Revenue not Reported	1	5%	\$30,025	4%	191	13%

Source: Sample of 20 loans originated between June 1997-October 2003 & 1990 Census data

LENDING TO BUSINESS OF DIFFERENT SIZES – BY LOAN AMOUNT				
LOAN AMOUNT	#	%	\$	%
Less than \$100,000	18	90%	\$444,928	56%
\$100,000 - \$250,000	2	10%	\$350,250	44%
Greater than \$250,000	0	0%	\$ 0	0%

Source: Sample of 20 loans originated between June 1997-October 2003

### Geographic Distribution of Loans

The bank's distribution of loans throughout geographies of different income levels, including moderate-income areas is reasonable and reflects satisfactory performance. The bank originates a majority of its loans in moderate-income BNAs in the AA. The bank's AA consist of five moderate-income BNAs and one middle-income BNA. The bank's AA does not contain any low- or upper income BNAs. The bank's only office is located in BNA 9904, a moderate-income geography.

The following tables illustrate the bank's lending performance utilizing 1990 census data for loans originated between 1997 and October 2003. Due to the timing of this Community Reinvestment Act examination, 2000 census data was unavailable for a geographic distribution analysis. A comparison between 1990 and 2000 census data revealed a change in the bank's demographics with one census tract shifting from moderate-income to middle-income. We conducted additional analysis to determine what effect if any the change in the bank's demographics would have on the bank's geographic distribution of loans and our conclusions regarding this performance criteria.

Our comparison of the bank's geographic distribution of loans using 1990 and 2000 census data revealed there was no significant change in the bank's geographic distribution of loans. Using 2000 census data, 78% of loans sampled were originated in moderate-income tracts versus 95% using 1990 census data and 22% (2000 census data) were originated in middle-income tracts versus 5% (1990 census data). Using 2000 census data for all loans types sampled, residential, consumer and commercial, the bank continued to originate a majority of its loans in moderate-

income census tracts.

The National Bank of West Union's loan distribution is consistent with the demographic profile of the AA. The following tables illustrate the results from a sample of 20 loans of each loan type:

GEOGRAPHY INCOME LEVEL	GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL LOANS IN AA				PERCENTAGE OF OWNER- OCCUPIED UNITS IN TRACT CATEGORY
	#	%	\$	%	
<b>Low</b>	0	0%	\$0	0%	0%
<b>Moderate</b>	18	90%	\$949,247	91%	84%
<b>Middle</b>	2	10%	\$ 99,450	9%	16%
<b>Upper</b>	0	0%	\$0	0%	0%

Source: Sample of 20 loans originated between June 1997-October 2003 and 1990 Census data

GEOGRAPHY INCOME LEVEL	GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN AA				PERCENTAGE OF HOUSEHOLDS IN TRACT CATEGORY
	#	%	\$	%	
<b>Low</b>	0	0%	\$ 0	0%	0%
<b>Moderate</b>	20	100%	\$190,061	100%	84%
<b>Middle</b>	0	0%	\$ 0	0%	16%
<b>Upper</b>	0	0%	\$ 0	0%	0%

Source: Sample of 20 loans originated between June 1997-October 2003 and 1990 Census data

GEOGRAPHY INCOME LEVEL	GEOGRAPHIC DISTRIBUTION OF COMMERCIAL LOANS IN AA				PERCENTAGE OF BUSINESSES IN TRACT CATEGORY
	#	%	\$	%	
<b>Low</b>	0	0%	\$ 0	0%	0%
<b>Moderate</b>	19	95%	\$784,932	99%	87%
<b>Middle</b>	1	5%	\$ 10,021	1%	13%
<b>Upper</b>	0	0%	\$ 0	0%	100%

Source: Sample of 20 loans of each type originated between June 1997-October 2003 and 1990 Census data



<b>DISTRIBUTION OF LOANS IN CENSUS TRACTS – COMBINED</b>								
<b>Loan Type</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
<b>Residential</b>	0%	0%	90%	91%	10%	9%	0%	0%
<b>Consumer</b>	0%	0%	100%	100%	0%	0%	0%	0%
<b>Commercial</b>	0%	0%	95%	99%	5%	1%	0%	0%
<b>Combined Total</b>	<b>0%</b>	<b>0%</b>	<b>95%</b>	<b>95%</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>
<b>Percentage of Census Tracts in bank's AA</b>	<b>0%</b>		<b>83%</b>		<b>17%</b>		<b>0%</b>	

Source: Sample of 20 loans of each type originated between June 1997-October 2003 and 1990 Census data

### **Responses to Complaints**

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of its community during the review period.

### **Fair Lending, Other Illegal Credit Practices, or Predatory and Abusive Lending Practices**

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