



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 30, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Hastings
Charter # 13857
241 West State Street
Hastings, Michigan 49058**

**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 **National Bank of Hastings** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 30, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory** Record of Meeting Community Credit Needs.

This institution is rated satisfactory because it has a reasonable loan to deposit ratio, extends credit throughout its assessment area and grants loans to borrowers of different income levels.

The following table indicates the performance level of National Bank of Hastings with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NATIONAL BANK OF HASTINGS</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The National Bank of Hastings is a \$47 million community bank located in Hastings, Michigan. The bank is owned by Hastings Financial Corporation, a one-bank holding company. Hastings Financial Corporation recently announced that it has agreed to be acquired by First Financial Bancorp, a multi-bank holding company headquartered in Hamilton, Ohio. In addition to its main office, the bank operates a branch near Wayland, Michigan. Each office has a drive-up facility and a 24 hour automated teller machine (ATM). The bank also has a free-standing, drive-up ATM in Hastings.

Lending activities include consumer, residential and home equity, small business and agriculture loans. The loan portfolio, as of June 30, 1996, is distributed as follows: 43% loans to individuals (\$11,690,000), 37% residential real estate (\$9,920,000), and 20% commercial and agriculture (\$5,297,000). There are no financial, legal, or other impediments limiting the bank's ability to help meet community credit needs. National Bank of Hastings was rated satisfactory at its last CRA examination in August, 1992.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area consists of all of Barry County and three adjacent census tracts on the eastern edge of Allegan County. It incorporates the bank's two offices and does not arbitrarily exclude low or moderate income geographies. The assessment area consists primarily of small towns and rural areas. Barry County is not part of a metropolitan statistical area (MSA); Allegan County is part of the Grand Rapids MSA. The characteristics of the three Allegan County tracts are similar to Barry County and the entire area is treated as one assessment area for CRA purposes.

The assessment area is comprised of thirteen census tracts (Barry County - ten, Allegan County - three) with a total population of 62,830. Based on 1990 U. S. Census data, none are considered to be low or moderate income areas, five are middle income areas and eight are upper income areas. A total of 17,535 families are located in the assessment area with 14% low income, 15% moderate income, 23% middle income and 48% upper income. The 1996 median family income for Barry County is \$35,147. This exceeds the State's non-MSA median family income of \$33,800.

Local economic conditions are good. Unemployment is low at 4.0% and the area population is growing. Manufacturing activity is the largest source of employment in Barry County. Large employers include Bradford-White Corporation in Middleville, Hastings Manufacturing Company, and Pennock Hospital. Barry County is centered between the four major west Michigan cities of Battle Creek, Grand Rapids, Kalamazoo, and Lansing and over 50% of the workforce commutes outside of the county to work.

Competition is provided by numerous, typically larger, financial institutions. Headquartered in Hastings are a commercial bank and a savings bank. Also in Hastings is a Savings & Loan

branch office and several credit union offices. Branch offices of several other community and regional banks are located elsewhere in the assessment area.

Three community contacts were made with members of the community regarding area credit needs. Their observations included the need for small business financing. They specifically mentioned the need for banks to offer government sponsored loan programs and financing to newer, less established businesses. Contacts expressed the desire to see financial institutions take a more active and visible role in economic development activities. One contact noted that the market has a shortage of homes for sale priced less than \$70,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO -

The bank's average loan to deposit ratio from year-end 1992 to June 30, 1996 was 57%. The ratio has steadily increased during this time. Currently, the loan to deposit ratio for 11 similarly situated community banks in Michigan is 69%. In 1993 it was 67%.

Loan to Deposit Ratio Trend				
6-30-96	12-31-95	12-31-94	12-31-93	12-31-92
66%	62%	58%	47%	47%

Portfolio growth during the past 12 months is primarily the result of instalment loans generated through area automobile dealerships. Loan growth during 1994 was predominately in residential mortgages. The bank does not make long-term fixed rate mortgages. Applications from customers requesting such terms are forwarded to another lender.

LENDING IN ASSESSMENT AREA -

The bank's origination of loans within the assessment area is good. The majority of the bank's lending occurs within its assessment area. The following chart details this information. It is based on loans originated or renewed by the bank during the first six months of 1996. The lower percentage of instalment loans within the assessment area reflects the bank's purchase of out of area student loans.

Lending in the Assessment Area (AA)

Loan Type	# Within AA	Percent in AA	\$ Within AA (\$000's)	Percent in AA
Residential Real Estate	5	100 %	\$646	100%
Instalment & Home Equity	230	79%	\$2,704	53%
Single Payment & Lines of Credit	46	98%	\$1,964	82%

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

The bank demonstrates a willingness to lend to borrowers of different income levels. We sampled 50 loans made to individuals during the past twelve months. We found that the percentage of borrowers within each income level approximates the income characteristics of the assessment area. Of the 281 loans granted, 151 were in middle income areas and 130 in upper income areas.

Lending Distribution by Borrower Income					
Loan Type	Low Income	Moderate Income	Middle Income	Upper Income	Total
Real estate mortgages (1st and 2nd)	1	1	4	12	18
Unsecured instalment loans	0	2	1	2	5
Secured instalment loans	5	3	2	6	16
Single payment loans	1	2	1	7	11
Total	7	8	8	27	50
Percentage	14%	16%	16%	54%	100%

A review of the bank's commercial and agriculture portfolio indicates that substantially all of the bank's loans are to small businesses and farms. Bank management reported that only four

of its borrowers have gross annual revenues in excess of \$1 million. The following chart demonstrates that most of the bank's outstanding commercial loans have original amounts of less than \$100,000. The bank also has 12 agriculture loans outstanding, all with original amounts of less than \$250,000.

Commercial Loan Size Distribution			
Original loan amount size	# of loans	\$ of loans	# of borrowers with revenue >\$1 million
\$100,000 or less	55	2,418,907	2
\$100,001 to \$250,000	10	1,699,576	2
more than \$250,000	1	500,000	0
Total	66	4,618,483	4

GEOGRAPHIC DISTRIBUTION OF LOANS -

The bank's geographic distribution of loans is reasonable. During the first six months of 1996, the bank originated loans in each of the 13 census/BNA tracts in its assessment area. Of the 281 loans granted, 151 were in middle income areas and 130 in upper income areas. The area with the greatest volume of loans was the City of Hastings/Hastings Township.

RESPONSES TO COMPLAINTS -

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

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