

PUBLIC DISCLOSURE

October 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank of Summers
Charter #7998**

**123 Temple Street
Hinton, WV 25951**

Comptroller of the Currency

**3800 Electric Road, Suite 204
Roanoke, Virginia 24018**

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 Summers** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 3, 1997. 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.

The National Bank of Summers has a **satisfactory** record of meeting the community's credit needs. The bank maintains a reasonable loan to deposit ratio, originates a substantial majority of loans within its assessment area, and has a reasonable level of lending to individuals of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The National Bank of Summers</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 have been received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

The National Bank of Summers (NBS) is a \$76MM institution located in Hinton, WV. It is a wholly-owned subsidiary of Horizon Bancorp, Inc. a \$955MM holding company based in Beckley, WV. Horizon Bancorp is affiliated with six banks located throughout southern West Virginia.

The National Bank of Summers operates one branch and one ATM in addition to its main office in Hinton. NBS offers a wide variety of products and services, including various consumer, residential real estate, and commercial loan products. The bank's focus, though is retail lending, as reflected in its loan mix of 43% residential real estate, 36% consumer, and 21% commercial purpose loans. There are no significant impediments hindering the bank's ability to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The National Bank of Summers has defined its assessment area as Summers County, WV. This area includes four block numbering areas, of which three are considered middle income and one is considered moderate income. As of the 1990 census, the county population was 14,200.

Summers County is located in the Allegheny mountains of Southern West Virginia, about 90 miles east of the state capital in Charleston. Once reliant on the railroad industry, the local economy was negatively impacted by the advent of the diesel engine and related technological advancements in the 1950's. The area economy is now more diverse, with manufacturing and wholesale as the leading industries. Local officials, seeking to capitalize on the presence of several state and national parks in the area, have also expanded the area's growth as a regional tourist attraction.

Still, approximately 48% of the area residents are unemployed and about 55% receive transfer payments from either social security or public assistance. The census median family income is only \$19,693 compared to the statewide average of \$33,600. These conditions continue to contribute to a declining population and limit local loan demand.

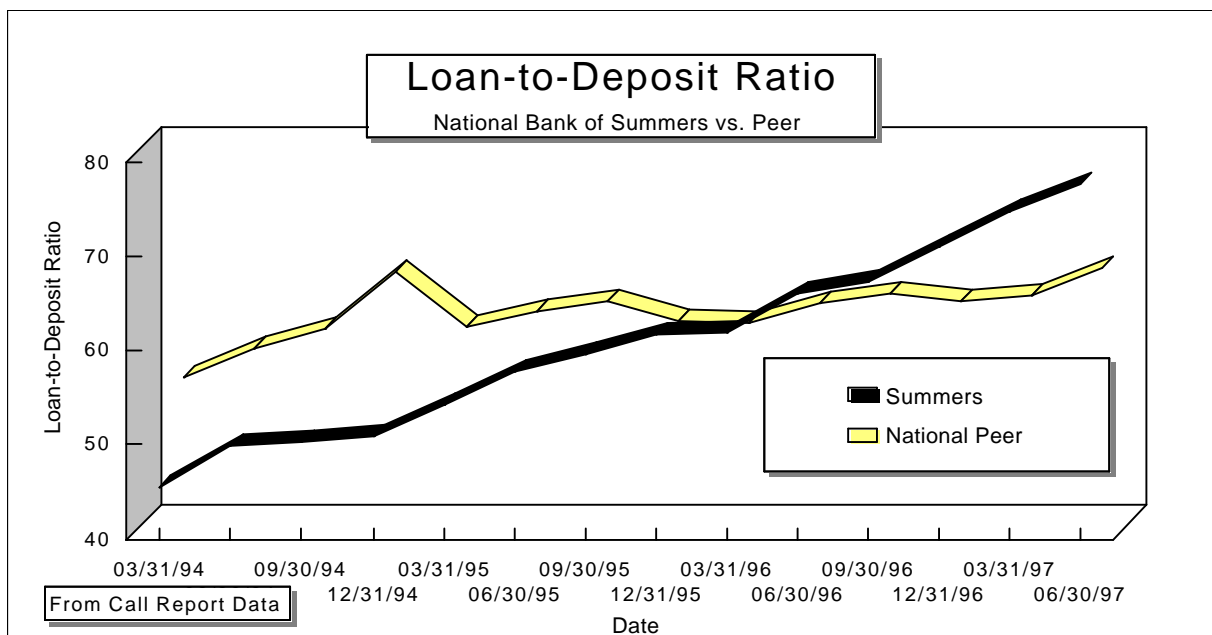
Discussions with bank officials and the Director of the regional Chamber of Commerce indicate community credit needs include small business and small farm loans. The bank offers a number of products to address these needs, including Small Business Administration and Farm Service Agency (Farmer's Home Administration) loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The National Bank's loan-to-deposit ratio, while slightly lower than its peer average, is reasonable given local economic conditions. Since the last CRA examination in March of 1994, the bank's loan-to-deposit ratio has averaged 61%. During the same period, its national peer group has averaged 62%. This performance is a result of the limited loan demand in the area.

However, advertising and an increase in agricultural lending have improved overall lending levels over the past year. This growth has helped boost the loan-to-deposit ratio to an average of 73% during the past four quarters, compared to a national peer average of 64% during the same period.



Lending in the Assessment Area

A majority of loans are originated within the bank's assessment area. A bank-generated zip code analysis for all existing loans shows that 77% of the number of loans were originated within Summers County. A review of a random sample of consumer and HMDA purpose originated within the past 18 months further supports this analysis. The sample indicated that 72% of the bank's loans were originated within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The National Bank of Summers' distribution of loans reflects a good penetration among borrowers of different income levels. A sample of consumer and residential real estate loans showed that 20% of the number of credit extensions were made to low-income individuals and 38% were made to moderate-income individuals. Within the assessment area, 24% of all families in the area have low incomes, while 20% have moderate incomes. Therefore, the bank's lending to low- and moderate- income families exceeds the proportion of low- and moderate- income families within the assessment area and represents a concerted effort to lend to these individuals.

The bank also offers the "*Low Income Mortgage Loan*" program which offers flexible terms for borrowers considered to have low and moderate incomes. In this program, borrowers who meet income guidelines are provided with flexible down payment amounts, lower rates, lower fees, and home ownership counseling. To date, the bank has made 11 loans totaling \$234,000 through this program. This product further demonstrates the bank's responsiveness to serving the low- and moderate-income borrower.

The National Bank of Summers is lending to businesses of different sizes throughout its assessment area. A sample of commercial loans funded in 1996 and 1997 indicates that the bank granted loans to commercial borrowers with gross annual revenues ranging from \$19,000 to \$20,586,000.

Geographic Distribution of Loans

Since the assessment area is composed of only four homogeneous block numbering areas, a geographic distribution analysis was not meaningful for this review. However, the bank's zip code analysis indicates that the bank is lending to all areas of the community and there are no areas of abnormally low penetration.

Response to Complaints

There have been no complaints received since the last Community Reinvestment Act evaluation.

Compliance with Anti-discrimination Laws

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted.