



## **PUBLIC DISCLOSURE**

September 2, 2014

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

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

218 N. Market Street  
West Union, Ohio 45693

Office of the Comptroller of the Currency

Westlake Center  
4555 Lake Forest Drive, Suite 520  
Cincinnati, Ohio 45242-3760

**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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

The major factors supporting of this rating include:

- The National Bank of Adams County's (NBAC or bank) loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of mortgage and consumer loans were originated within the assessment area (AA).
- Lending activities reflect a reasonable penetration among borrowers of different incomes.
- Lending activities reflect a reasonable geographic distribution of mortgage and consumer loans.

**SCOPE OF EXAMINATION**

We performed a small bank CRA examination of The National Bank of Adams County of West Union using financial data as of June 30, 2014. The purpose of the examination was to assess NBAC's record of meeting the credit needs of its entire community, including low- and moderate-income areas. The evaluation period for lending activity included loans originated between January 1, 2012 and December 31, 2013. The loan-to-deposit ratio was reviewed using both a current and 17-quarter average. Analysis of lending performance inside the identified AA, borrower income distribution, and geographical distribution was based on loan origination data from a sample of 20 residential real estate and 20 consumer loans. We added one additional consumer loan to replace the loan in our original sample which was not inside the bank's AA. We included this additional loan for our sample testing of borrower and geographic distribution.

Table 1, located on the following page, reflects the bank's lending products (by number and dollars) during the evaluation period. Residential real estate and consumer lending activities represent the bank's primary loan products during the evaluation period and are included in our analysis.

<b>Table 1 – NBAC’s Lending Products During Evaluation Period</b>		
Loan Type	% by Number of Loans Originated/Purchased during evaluation period	% by Dollar of Loans Originated/Purchased during evaluation period
Residential Real Estate Loans	38%	52%
Consumer Loans	38%	8%
Commercial Real Estate Loans	7%	8%
Agricultural Loans	9%	27%
Other Loans	8%	5%
Total	100%	100%

Source: 2012 and 2013 loan originations.

## **DESCRIPTION OF INSTITUTION**

NBAC is a family-owned and operated community bank with its only office located in West Union, Ohio, approximately 60 miles east of Cincinnati, Ohio. As of June 30, 2014, NBAC reported total assets of \$83 million. The main office has a drive-up facility and an ATM. The bank is located in Census Tract (CT) 7704, a middle-income geography. This census tract was changed from moderate-income at the prior CRA examination to middle-income due to changes in census data.

NBAC’s primary business strategy is lending to individuals (residential real estate and small consumer loans). The bank offers a variety of consumer, commercial, and agricultural lending products to meet the credit needs of the community. Net loans represented 46 percent of total assets as of June 30, 2014. The bank’s primary lending products are residential real estate and consumer loans based on the total number of loans and aggregate dollar amounts originated during the review period.

Currently, no legal or financial impediments exist that could restrict the institution’s ability to serve the community’s credit needs. The bank’s prior CRA rating was satisfactory as of the Performance Evaluation dated April 22, 2010.

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

The bank’s AA consists of all of Adams County, Ohio. The AA is comprised of six CTs numbered 7701-7706 and is not located within a metropolitan statistical area (MSA). The AA includes three moderate-income census tracts and three middle-income census tracts. There are no low- or upper-income geographies in the bank’s AA. The three middle-income geographies (7702 through 7704) are listed by the Federal Financial Institution Examination Council (FFIEC) as distressed middle-income nonmetropolitan tracts for 2014.

The AA complies with all regulatory requirements. The tracts in the AA are contiguous and surround the area where the bank is located. There are no conspicuous gaps, and the AA does not arbitrarily exclude any low- or moderate-income geographies.

As of the 2010 U.S. Census data, the AA has a population of 28,550, of which 23 percent are living below the poverty level and 2.7 percent receive some form of public assistance. Of the AA's 11,867 housing units, 7,826 or 60.82 percent are owner-occupied. The median housing value for the AA is \$63,800. The Department of Housing and Urban Development's (HUD) estimate of the Ohio statewide non-MSA updated median family income is \$53,600 for 2012 and \$53,000 for 2013.

Adams County continues to experience strained economic conditions and high unemployment levels. Per statistics compiled by the Bureau of Labor Statistics (BLS), Adams County's annual unemployment rate as of January 2013, was 14.4 percent, with a decrease to 12.6% in January 2014. The unemployment rate in Adams County is above both the State of Ohio and the national unemployment rates of 7.4 percent (2013) and 6.4 percent (April 2014), respectively.

The major employers in Adams County include Dayton Power and Light Company, General Electric Company, Adams County Government, Adams County Hospital, and Adams Co/Ohio Valley Local Board of Education. 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, NBAC had approximately 20.65 percent of Adams County's market share of total deposits as of June 30, 2013.

According to a community contact familiar with area conditions, the local economy continues to be negatively impacted by a lack of business and industry jobs in the area. Loan demand has not been strong and has not improved over the past several years. The contact indicated limited economic development activities are available in the area and financial institution performance has been average.

The table below illustrates the distribution of families and households in the AA by income category and the number of geographies/census tracts in low-, moderate-, middle- and upper-income areas:

<b>Table 2 – AA Income Composition by Families and Geographies</b>								
Income Designation	Low Income		Moderate Income		Middle Income		Upper Income	
	#	%	#	%	#	%	#	%
Families	2339	30.8%	1580	20.8%	1484	19.5%	2195	28.9%
Census Tracts	0	0%	3	50%	3	50%	0	0%

Source: 2010 U.S. Census

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

NBAC’s lending performance is satisfactory.

### Loan-to-Deposit Ratio

NBAC’s loan-to-deposit (LTD) ratio is reasonable. The bank’s quarterly LTD ratio over the past 17 quarters since the prior CRA examination (June 30, 2010 through June 30, 2014) was 56.89 percent. For the same period, the average quarterly LTD ratio was 66.56 percent for other financial institutions in the bank’s AA.

### Lending in Assessment Area

The substantial majority of the loans originated during the review period were inside the AA. Based on our sample, by number, 97.5 percent of the bank’s loans originated during the evaluation period were inside the AA; and by dollar volume, 99.5 percent of the loans originated during this period were inside the AA.

Table 3 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollar of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Residential Real Estate Loans	20	100%	0	0.0%	20	\$1,256,896	100%	\$0	0.0%	\$1,256,896
Consumer Loans	19	95%	1	5.0%	20	\$ 202,617	97%	\$7,060	3.0%	\$ 209,677
Totals	39	97.5%	1	2.5%	40	\$1,459,513	99.5%	\$7,060	0.5%	\$1,466,573

Source: OCC loan sample

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

The overall distribution of residential real estate loans and consumer loans among individuals of different income levels reflect a reasonable penetration.

The analysis of the distribution of the residential real estate loan sample shows reasonable penetration among borrowers of different income levels, including low- to moderate-income families. Home loan originations to low-income borrowers as a percentage of total home loans (20 percent) are modestly less than the percentage of low-income families in the AA (30.78 percent) and the level of home lending to moderate-income borrowers (20 percent) mirrors the AA demographics for moderate-income families (20.79 percent).

A factor to consider in the lower penetration of home loans to low-income borrowers is that 23 percent of the population in the AA live below the poverty level and may not be able to meet traditional underwriting criteria to qualify for home loans. Table 4A below reflects the bank’s distribution of residential loans by borrower income level and compares this dispersion to the AA’s specific family income composition.

<b>Table 4A - Borrower Distribution of Residential Real Estate Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	30.8%	20.0%	20.8%	20.0%	19.5%	20.0%	28.9%	40.0%

Source: Loan Sample; 2010 U. S. Census Data

The analysis of the distribution of the consumer loan sample shows excellent penetration among borrowers of different income levels, including low-to moderate-income households. The level of consumer lending to low-income borrowers is comparable to the percentage of low-income households in the AA. NBAC’s consumer loan originations to moderate-income borrowers are significantly more than the percentage of moderate-income households in the AA. Combined, consumer lending to low- and moderate-income borrowers represented 60 percent of our sample, compared to 52.13 percent of households in these income categories. Table 4B below reflects the bank’s distribution of consumer loans by borrower income level and compares this dispersion to the AA’s specific household income composition.

<b>Table 4B - Borrower Distribution of Consumer Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	34.4%	30.0%	17.7%	30.0%	18.1	15.0%	29.8%	25.0%

Source: Loan Sample; 2010 U. S. Census Data.

**Geographic Distribution of Loans**

The bank’s overall geographic distribution of loans reflects reasonable dispersion throughout the AA. The geographic dispersion of both residential real estate and consumer is reasonable when considering the economic limitations the area places on lending activity. Additionally, the rural geography of the AA and location of the bank’s only branch help to support the reasonable level of geographic dispersion in the AA.

The analysis of the geographic distribution of the residential real estate loan sample reflects reasonable dispersion throughout the AA in geographies of different income levels, including moderate-income CTs. The percentage of residential real estate loans originated in moderate income geographies (10 percent) is well below the percent of owner occupied housing located within moderate-income CTs in the AA. However, distressed economic conditions in the AA and the level of households below the poverty line effectively limit the opportunities to lend. Additionally, consideration is given to lending in the three middle-income census tracts in the AA are distressed geographies. Table 5A reflects the distribution of residential loans by CT income level.

<b>Table 5A - Geographic Distribution of Residential Real Estate Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0%	0%	50%	10%	50%	90%	0%	0%

*Source: Loan Sample; 2010 U. S. Census Data.*

The analysis of the geographic distribution of the consumer loan sample reflects reasonable dispersion throughout the AA in geographies of different income levels, including moderate-income CTs. The percentage of consumer loans originated in moderate-income geographies (30 percent) is reasonable when compared to the percent of households located within moderate income CTs in the AA (43 percent). Table 5B, located on the following page, reflects the distribution of consumer loans by CT income level.

Table 5B - Geographic Distribution of Consumer Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	43%	30%	57%	70%	0%	0%

Source: Loan Sample; 2010 U. S. Census Data.

### Responses to Complaints

During the review period, NBAC received no written complaints relating to its performance in helping to meet the credit needs of its AA.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank’s 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.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.