LARGE BANK

Office of the Comptroller of the Currency

Washington, DC 20219

PUBLIC DISCLOSURE

December 17, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Nationwide Bank
Charter Number 714970

One Nationwide Plaza, 1-14-401
Columbus, Ohio 43215

Office of the Comptroller of the Currency

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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, and should not 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.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions 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 CRA performance of Nationwide Bank, FSB ("NWB" or "Bank"). The Office of the Comptroller of the Currency (OCC) prepared the evaluation as of December 17, 2012. The prior CRA evaluation was conducted on September 2, 2008 when the bank was evaluated as an intermediate small bank, and received an overall rating of "Satisfactory. NWB has not been involved in any merger or acquisition activity since the prior evaluation. OCC evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation included a visit to the institution's main office. OCC rates the CRA performance of an institution consistent with the provisions set forth in 12 C.F.R. Part 195.

Institution

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Needs to Improve**.

The following table indicates the performance level of **Nationwide Bank** (NWB) with respect to the Lending, Investment, and Service Tests:

PERFORMANCE LEVELS	Nationwide Bank, FSB (December 17, 2012)		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding		X	
High Satisfactory			
Low Satisfactory			X
Needs to Improve	X		
Substantial Noncompliance			

The major factors that support this rating include:

- NWB's lending test performance needs improvement. The distribution of both Home Mortgage Disclosure Act (HMDA)-reportable mortgage loans and consumer loans within the Assessment Area is weak. Further, very limited additional lending activity has occurred within the

Assessment Area that would adequately compensate for the weak distribution of HMDA-reportable mortgage loans and consumer loans.

- NWB's investment test performance is excellent. The institution has numerous qualifying mortgage-backed securities and community development grants. A large number of these activities are within the Assessment Area.

- The service test performance is adequate. While the service level is adequate given the business model, NWB had two qualifying community development services.

In order to receive an overall CRA rating of Satisfactory, a Large Bank must receive at least a "Low Satisfactory" rating under the Lending Test.

Fair Lending and Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

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

Description of Institution

NWB is a federally chartered stock savings bank, with $5 billion in total assets, as of September 30, 2012. NWB is a wholly owned subsidiary of Nationwide Mutual Insurance Company (Nationwide), one of the largest insurance and financial companies in the country. NWB's most recent CRA evaluation was completed as of September 2, 2008 and resulted in an overall rating of "Satisfactory". NWB engages in a combination of consumer, commercial and mortgage lending. Deposit products offered include certificates of deposit, passbook savings accounts, individual retirement accounts, and checking accounts. The bank maintains two offices, both acquired when the employee credit union was merged with the bank. At September 30, 2012, the bank's tier 1 capital was 8.4 percent. The bank's financial condition does not impede its ability to help meet the credit needs of its assessment area.

The business model for NWB is a hybrid of an internet bank and an employee credit union. Internet banking is available to anyone who resides in the United States; however, many customers are legacy customers inherited by the bank when NWB merged with the Nationwide employee credit union, which was effective January 1, 2007. In addition, NWB's only two physical offices are located inside large Nationwide employment facilities because NWB inherited the offices from the employee credit union upon its merger with the bank. Many Nationwide employees choose to bank with NWB due to both convenience and loyalty. The bank prior to this merger was a limited purpose institution and not subject to the CRA. Further, management currently focuses heavily on marketing to existing customers of any affiliated Nationwide company. These factors combine to explain why NWB's customer base is located throughout the United States. The largest single concentration of customers is in the Columbus, Ohio MSA, as the city contains the corporate headquarters and both retail offices.

Due to the business model, NWB generates deposits and loans nationally. Despite the marketing initiatives that management directs to the general public, many of the new loans granted and deposit accounts opened during the review period were received from former credit union customers (i.e., Nationwide employees, former employees, or relatives thereof, or business loans to Nationwide Insurance agents). NWB attempts to reach new customers on a national basis through its website, call center, and the mail. Because of this marketing approach, management does not believe a network of traditional banking offices is necessary. The two banking offices maintained are not traditional thrift offices. Both are located inside Nationwide employment facilities and are not readily accessible to the general public. No roadside indication or signage exists of the bank's presence and almost all branch traffic remains Nationwide employees, retirees, or spouses, etc.

Nationwide Advantage Mortgage Company (NAMC) is an affiliate of NWB and a nationally licensed mortgage banker, which sells the majority of its loans on the secondary mortgage market. NAMC's lending activities were also considered when evaluating the lending test described throughout this Performance Evaluation. In addition, NAMC originates loans in the name of NWB. NWB also purchases a significant amount of mortgage loans. During the review period, most business loans granted were to Nationwide insurance agents. Many of these loans qualify as small business loans under the CRA, although the vast majority of these loans were not to agents inside the Assessment Area. NWB engages in more consumer lending than is typical of a thrift; consumer lending data was considered in the Lending Test.

The bank owns 12 ATM machines, most of which are located inside of office buildings within the Columbus MSA AA and not readily accessible to the general public. The remainder of the owned ATMs are also located within the Columbus MSA AA. In addition, nearly 70,000 ATMs (not Nationwide branded, or owned by the bank) are available throughout the United States that can be used by customers without incurring nonproprietary ATM usage fees. Customers may locate one of these ATMs by using the search feature on the bank's website.

NWB often relies on the considerable resources available to it through its affiliate structure to help meet its CRA obligations, in particular the Nationwide Foundation (philanthropic/charitable entity) and NAMC.

As of September 30, 2012, NWB's loan portfolio totaled $1.75 billion and accounted for 35 percent of total assets. The table immediately below reflects the dollar amount, percentage to total loans, and percentage to total assets of each loan category on a consolidated basis.

Nationwide Bank's Investment in Loans As of September 30, 2012			
Loan Category	**Amount ($000's)**	**Percent of Total Loans**	**Percent of Total Assets**
Real Estate Loans	$1,063,735	60.7%	21.5%
Commercial Loans	$100,308	5.7%	2.0%
Individual Loans	$556,173	31.8%	11.2%
Agricultural Loans	$31,550	1.8%	0.0%
Other Loans	$14	0.0%	0.0%
Total	$1,751,780	100.0%	35.4%

Source: September 30, 2012 Uniform Bank Performance Report

NWB's ability to meet the credit needs of its assessment area is not impaired by its financial condition nor legal issues.

Description of Assessment Area

Both NWB banking offices are located in Franklin County, Ohio. The assessment area has been defined to be the Columbus, Ohio Metropolitan Statistical Area #18140 (MSA), in its entirety. The Columbus MSA consists of eight counties: Franklin, Union, Madison, Pickaway, Fairfield, Licking, Delaware and Morrow Counties.

The assessment area includes both urban and suburban areas, with some outlying areas that remain rural in nature. The City of Columbus has experienced steady population growth. While the growth is in large part due to the annexation of, and growth in outlying areas that are suburban in nature, the population in the core of the city has declined. As the population shifts, most of the poverty has remained in the central city. The City of Columbus is in Franklin County and approximately two-thirds of the MSA's population is in Franklin County.

Delaware County is the most affluent county in the assessment area. Madison and Pickaway Counties remain primarily rural with the majority of the land in farms. As of December 2012 (the most recent data available), unemployment rates throughout the MSA ranged from a low of 4.3 percent in Delaware County to a high of 6.6 percent in Pickaway County. Franklin County unemployment was 5.5 percent. These unemployment rates have generally been decreasing steadily over the past few years. The rates compare favorably to the nationwide non-seasonally adjusted unemployment rate of 7.6 percent and are comparable to or better than the statewide non-seasonally adjusted rate of 6.6 percent. The public sector is the assessment area's largest type of employment with the State of Ohio, The Ohio State University, and the U S government being the major employers. The financial sector is the area's second largest employment type with J P Morgan Chase, Nationwide Insurance, and Huntington Bancshares being the largest. Other major employers in the assessment area include Honda, which has its largest North American manufacturing complex in Union County, Cardinal Health, Wendy's Restaurants, and the Battelle Memorial Institute.

At June 30, 2012 (the most recent information available), 55 FDIC-insured financial institutions operated 564 branches in the assessment area. Deposits at these branches totaled $47.4 billion. According to the aggregate HMDA reports, in 2011, mortgage lenders granted 66,646 reportable mortgage loans, totaling $11.5 billion in the assessment area. During 2011, NWB granted mortgage loans totaling $28.7 million, which represent a 0.25 percent market share within the Columbus MSA AA. The deposit market share (as reported in a self-analysis dated September 19, 2011) reflected a deposit percent market share in the Columbus MSA AA, of 0.40 percent.

Information provided by local housing advocacy groups that serve Columbus was considered in this Performance Evaluation. Representatives of these organizations indicated that certain areas of the city are underserved and the availability of banking services is limited in some low-income areas. They also indicated that residents of many of the older, lower income sections of the city have difficulty obtaining financing because of marginal credit histories.

We considered the demographic data on population, families, housing units, and number of households within the Columbus MSA Assessment Area, based on 2000 and 2010 census data. We note that the population of the Columbus MSA grew 13.8 percent during the decade, far greater than that of the State of Ohio, which grew only 1.6 percent during that same 10-year period. This statistic and the relatively low MSA unemployment rate cited elsewhere in this Performance Evaluation speak to the relative economic vitality of the MSA. Conversely, during the 10-year period between the 2000 Census and the 2010 Census, the vacant housing percentage significantly increased, almost doubling, indicative of an adverse trend in the availability of quality housing for low-income residents. See the below table for detail.

Demographic Data Of the Columbus MSA Assessment Area		
Demographic Data	**2000 Census**	**2010 Census**
Population	1,612,694	1,836,536
Total Families	413,882	449,672
1-4 Family Units	550,889	642,376
Multi-family Units	129,527	141,684
% Owner-Occupied Units	59%	57%
% Rental-Occupied Units	35%	32%
%Vacant Housing Units	6%	11%
Weighted Average Median Housing	$119,650	$165,312

Source: 2000 U.S. Census and 2010 U.S. Census Data

We consider the number and percentages of families and owner-occupied housing units on the basis of income levels by geographic area. The tables below show demographic information for the assessment area based on 2000 and 2010 census data, including the distribution of families and owner-occupied dwellings (which can be reflective of demand for residential loans within census tract income categories) within four different geographic income categories.

Distribution of Geographies, Families and Housing Units in the Columbus MSA Assessment Area (Based on 2000 Census Data)						
Census Tract Income Category	Geographies		Total Area Families		Owner Occupied Housing Units	
	#	%	#	%	#	%
Low	35	9.1%	21,147	5.1%	11,521	2.9%
Moderate	102	26.5%	85,627	20.7%	70,208	17.5%
Middle	153	39.7%	183,834	44.4%	186,970	46.6%
Upper	94	24.4%	123,274	29.8%	132,413	33.0%
NA	1	0.3%	0	0.0%	5	0.0%
Total	385	100.0%	413,882	100.0%	401,117	100.0%

Source: 2000 U.S. Census Data

According to 2000 U.S. Census Data (see above table), 25.8 percent of the families in the assessment area are residing in geographies classified as low- or moderate-income. The 2009, 2010, and 2011 lending information presented later in this Performance Evaluation relates to the 2000 census data; while the 2012 lending information relates to the 2010 census data described in the following table.

Distribution of Geographies, Families and Housing Units in the Columbus MSA Assessment Area (Based on 2010 Census Data)						
Tract Income Category	Geographies		Total Area Families		Owner Occupied Housing Units	
	#	%	#	%	#	%
Low	65	15.5%	38,289	8.5%	23,853	5.3%
Moderate	100	23.8%	89,895	20.0%	79,749	17.7%
Middle	142	33.8%	176,599	39.3%	183,846	40.9%
Upper	110	26.2%	144,889	32.2%	162,604	36.1%
NA	3	0.7%	0	0.0%	0	0.0%
Total	420	100.0%	449,672	100.0%	450,052	100.0%

Source: 2010 U.S. Census Data

According to 2010 U.S. Census Data (see the table directly above), 28.5 percent of the families in the assessment area are residing in geographies classified as low- to moderate-income, with 13 percent of the families reporting income below the poverty level, an increase from 10 percent reported by the 2000 census. These percentages increased by approximately 3 percentage points from the 2000 U.S. Census Data. The U.S. Census Bureau re-mapped the MSA based on 2010 census data. This re-mapping resulted in significant changes to the numbers of low- and middle-income tracts (low-income increasing with middle-income decreasing) while moderate- and upper-income tracts changed to lesser degrees.

Further, the Department of Housing and Urban Development (HUD) annually adjusts census data to update borrower income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation. The table immediately below reflects the updated HUD median family income amounts for the Assessment Area for each year during the review period.

Annual Median Family Income in Columbus MSA #18140	
Year	**Amount**
2009	$68,600
2010	$68,600
2011	$66,600
2012	$67,500

Source: 2009-2011 HUD Median Family Income of the MSA

Source: 2012 FFIEC MSA Estimated Median Family Income

The table immediately below shows the median family income ranges of each borrower income category based on the 2012 median family incomes.

Median Family Income Ranges for Columbus MSA #18140		
Income Category (As % of MSA Median)	**Income Ranges**	
	From	**To**
Low (< 50%)	$ 1	$33,749
Moderate (50% - 79%)	$33,750	$53,999
Middle (80% - 119%)	$54,000	$80,999
Upper (>= 120%)	$81,000	+

Source: FFIEC MSA Median Family Income

The table immediately below shows the number of families for each income category within the Assessment Area based on the 2012 median family income.

Distribution of Families by Income Category Columbus MSA Assessment Area				
Family Income Category (As a % of MSA Median)	**2000 Census Data**		**2010 Census Data**	
	Number	**Percent**	**Number**	**Percent**
Low (< 50%)	80,520	19.5%	82,164	18.3%
Moderate (50% - 79%)	76,714	18.5%	82,052	18.2%
Middle (80% - 119%)	95,863	23.2%	114,189	25.4%
Upper (>= 120%)	160,785	38.8%	171,267	38.1%
Total	413,882	100.0%	449,672	100.0%

Source: FFIEC MSA Median Family Income

Scope of Examination

We evaluated NWB's performance for HMDA-reportable mortgage loans, CRA-reportable small business lending data and optional consumer lending data from July 1, 2009 through June 30, 2012. Community development lending, investments and services were evaluated for the period from September 2, 2008 to December 17, 2012.

We assessed NWB's performance based on the lending, investment and service tests within its sole assessment area of the Columbus, Ohio MSA, which received a full scope review. Due to the non-traditional business model of the bank, if performance under these tests is acceptable within the Assessment Area, we will further consider activities outside the Assessment Area.

The HMDA-reportable mortgage lending data and optional consumer lending data were reviewed for accuracy prior to this CRA evaluation being performed. Very few (three) reportable small business loans were granted to borrowers in the Columbus MSA AA; thus were not considered in our review. The HMDA and consumer lending data was determined to be reliable for CRA analysis purposes, with the exception of the borrower income field for optional consumer lending data which had been presented for consideration. As a result, a borrower income analysis for the submitted consumer lending data was not conducted. A significant majority of HMDA-reportable loans were determined to be refinancing (70 percent of applications reported in 2011). Therefore, no distinction was made between different types of residential mortgage loans when evaluating the lending test. Under the Large Bank CRA evaluation procedures, a bank may not receive an overall rating of "Satisfactory" without achieveing a Lending test rating of "Low Satisfactory" or better.

We conducted three community contacts during the current evaluation. All of the contacts indicated unmet credit needs exist in the community. The contacts specifically noted a number of needs: foreclosure prevention counseling; homeownership counseling; additional mortgage lending to lower income residents; additional branch offices in lower income neighborhoods; and, additional community outreach efforts on the part of bankers. None of the entities reported any contact from NWB.

Conclusions with Respect to Performance Tests

Lending Test

The lending test is rated needs to improve. We detected serious weakness in NWB's Lending Test performance. The distribution of HMDA mortgage loans and consumer loans based on income geography was weak. In addition, the distribution of HMDA mortgage loans in terms of the borrower income levels was also weak. The bank had no qualifying community development loans during the evaluation period. None of the weaknesses could be fully offset by factors such as mortgage market conditions or the business model.

Lending Activity in the Assessment Area

The level of lending within the Assessment Area is adequate, given the business model. During the current review period, 13.1 percent of mortgage and 4.5 percent of consumer loans were in the Assessment Area. The percentage of lending activities inside the Assessment Area as a percent of total NWB loan activity during the evaluation period is very low when compared to traditional banks. These ratios are attributable to the non-traditional business model, which is a hybrid of several non-traditional activities. The model consists mainly of internet banking available to the general public on a national basis; heavy cross-selling to Nationwide customers who reside throughout the nation; and meeting the banking needs of Nationwide employees and Nationwide insurance agents, who are also widely disbursed throughout the nation.

The distribution of core lending products (mortgages, automobile and credit card) is weak when analyzed in terms of loans to low- or moderate-income geographies within the Assessment Area. Further, the HMDA mortgage lending performance is weak in terms of lending distribution to low- or moderate-income borrowers within the Assessment Area. These weaknesses are attributable in part to general mortgage market conditions during the review period. However, the distribution patterns could not be fully explained by this factor. We also noted a lack of special purpose credit products, FHA/VA mortgage lending or other low down-payment products, or loan products targeting borrowers with less than strong credit histories. Further, we observed no qualifying community development loans in the Assessment Area.

The level and percentage of lending inside the Assessment Area is reflected in the tables immediately below.

HMDA-Reportable Mortgage Loans Inside/Outside Assessment Area 6/30/2009 – 6/30/2012					
Period	**In Assessment Area**		**Outside Assessment Area**		**Total HMDA Loans**
By Number:	**#**	**%**	**#**	**%**	**#**
7/01/2009 – 12/31/2011	529	13.0	3,555	87.0	4,084
1/1/2012 – 6/30/2012	88	14.2	533	85.8	621
Total	617	13.1	4,088	86.9	4,705
By $ Amount:	**$ 000**	**%**	**$ 000**	**%**	**$ 000**
7/01/2009 – 12/31/2011	95,216	10.8	788,750	89.2	883,966
1/1/2012 – 6/30/2012	15,185	12.4	107,586	87.6	122,771
Total	110,401	11.0	896,336	89.0	1,006,737

Source: NWB Home Mortgage Disclosure Act Records – 2009 through 2012

Consumer Loans Inside/Outside Assessment Area 6/30/2009 – 6/30/2012					
Period	In Assessment Area		Outside Assessment Area		Total Consumer Loans
By Number:	**#**	**%**	**#**	**%**	**#**
7/01/2009 – 12/31/2011	2,206	4.5	46,835	95.5	49,041
1/1/2012 – 6/30/2012	739	4.7	14,991	95.3	15,730
Total	2,945	4.5	61,826	95.5	64,771
By $ Amount:	**$ 000**	**%**	**$ 000**	**%**	**$ 000**
7/01/2009 – 12/31/2011	25,780	6.5	368,717	93.5	394,497
1/1/2012 – 6/30/2012	7,284	4.9	142,169	95.1	149,453
Total	33,064	6.1	510,886	93.9	543,950

Source: NWB Internal Records

Lending Among Geographies of Different Income Levels

Lending among geographies of different income levels is weak.

HMDA Lending

The geographic distribution of HMDA mortgage loans is weak when compared to Assessment Area peer lending data or when compared to the percentage of owner-occupied housing units located in the low- or moderate-income geographies within the AA. This weakness can be attributed in part to the business model; however, the weakness is amplified by a lack of product diversity. Peer data for 2011 was the most recent available for review and represents all HMDA-reportable mortgage loans made in the assessment area by banks subject to HMDA.

The following table demonstrates the geographic distribution of NWB's HMDA loans within its assessment area and compares performance to peer group measurements.

Geographic Distribution of HMDA-reportable mortgage loans In the Assessment Area							
Income Level	Owner-Occupied Housing Units (2000 census)	NWB Second Half 2009, Full Years 2010, and 2011		2011 Peer Lending	Owner-Occupied Housing units (2010 census)	NWB First Half 2012	
	%	#	%	%	%	#	%
Low	2.9	3	0.6	1.1	5.3	0	0.0
Moderate	17.5	31	5.8	9.9	17.7	2	2.3
Middle	46.6	139	26.3	39.0	40.9	20	22.7
Upper	33.0	356	67.3	50.0	36.1	66	75.0
NA	0.0	0	0.0	0.0	0.0	0	0.0
Total	100.0	529	100.0	100.0	100.0	88	100.0
		$ 000	%	%		$ 000	%
Low	2.9	785	0.8	2.1	5.3	0	0.0
Moderate	17.5	4,076	4.3	7.5	17.7	195	1.3
Middle	46.6	21,321	22.4	30.2	40.9	2,474	16.3
Upper	33.0	69,034	72.5	60.2	36.1	12,516	82.4
NA	0.0	0	0.0	0.0	0.0	0	0.0
Total	100.0	95,216	100.0	100.0	100.0	15,185	100.0

Source: Aggregate filings of Bank HMDA Report, and US Census Bureau Data

Since the census tracts were redefined in 2010 (which relates only to the 2012 lending data in the table above), NWB's performance based on geography income level has declined among low- and moderate-income geographies, even though the U.S. Census Bureau, based on its 2010 census, now considers more owner-occupied housing units to be located in low-income geographies. the percentage of HMDA-reportable mortgage loans originated in low- and moderate-income geographies has declined since the previous review period. Among low-income geographies in the Assessment Area, the percentage of HMDA-reportable mortgage loans decreased from 2.1 at the prior review to 0.6 percent, with further deterioration noted in 2012. The percentage of lending in moderate-income geographies declined from 8.9 at the prior review to 5.8 percent, with a further decrease noted in 2012. Mortgage market conditions may explain some but not all of the weak performance.

Consumer Lending

The geographic distribution of consumer loans is weak.

Consumer lending data was analyzed as reported by management. The consumer lending data consisted primarily of credit cards, and vehicle loans, though a small amount of other secured and unsecured loans were also analyzed. The 2000 census indicated 6.6 percent of MSA households resided in a low-income geography, while in 2010 the census indicated that 11.0 percent of MSA households resided in a low-income geography. Since consumer lending data is not routinely reported by lenders, no national or local peer data is available with which to compare NWB. The percentages of consumer loans made to either low- or moderate-income consumers are significantly below the percentages of Assessment Area households that are low- or moderate-income. In addition, the percentage increase in the 2012 lending percentages to residents of low- and moderate-income geographies is partially attributable to the 2010 census re-definition of geography income status. The lending percentage in low-income tracts is still less than half the percentage of households that reside in those low-income geographies as defined in the 2010 census.

During the lending review period, the distribution of consumer lending was, as with HMDA mortgage lending, concentrated toward middle- and upper-income geographies. An increase in NWB's consumer lending percentage in moderate-income geographies occurred in 2012, but there was no underlying business action step that explains the increase.

A trend analysis of consumer lending distribution by geography since the prior CRA evaluation was not possible, as detailed consumer lending data was not analyzed as a part of that review.

The following table demonstrates the geographic distribution of NWB's consumer loans within the Assessment Area and compares the distribution of loans to the distribution of households in low- or moderate-income geographies within the Assessment Area, which was obtained from census data.

Geographic Distribution of Consumer Loans In the Assessment Area						
Income Level	**Total Area Households (2000 census)**	**NWB Second Half 2009, and Full Years 2010, and 2011**		**Total Area Households (2010 census)**	**NWB First Half of 2012**	
	%	**#**	**%**	**%**	**#**	**%**
Low	6.6	48	2.2	11.0	35	4.7
Moderate	23.7	195	8.8	21.4	93	12.6
Middle	42.7	864	39.2	38.8	282	38.2
Upper	27.0	1,099	49.8	28.8	329	44.5
NA	0.0	0	0.0	0.0	0	0.0
Total	100.0	2,206	100.0	100.0	739	100.0
		$000	**%**		**$000**	**%**
Low	6.6	420	1.6	11.0	255	3.5
Moderate	23.7	1,596	6.2	21.4	722	9.9
Middle	42.7	9,085	35.2	38.8	2,615	35.9
Upper	27.0	14,679	56.9	28.8	3,692	50.7
NA	0.0	0	0.0	0.0	0	0.0
Total	100.0	25,780	100.0	100.0	7,284	100.0

Source: Internal company records and the U.S. Census Bureau

<u>Lending to Borrowers of Different Income Levels</u>

Lending to borrowers of different income levels is weak.

HMDA Lending

The borrower income distribution of HMDA-reportable mortgage loans is weak when compared to Assessment Area peer lending data or when compared to the percentage of owner-occupied housing units located in the low- or moderate-income geographies within the AA. The weak performance is partially attributable to the mortgage market conditions and the tightening of mortgage lending standards. In addition, 10 percent of the families in the assessment area were below the poverty level per the 2000 U.S. Census and 13 percent were below the poverty level per the 2010 U.S. Census. These factors may have made it more challenging for low- and moderate-income borrowers to meet credit standards. The percentage of lending to both low- and moderate-income borrowers inside the Assessment Area has declined significantly from the levels reported in the prior Performance Evaluation. At that time, 2.6 percent of mortgage loans within the Assessment Area were to low-income borrowers, while only 1.5 percent of the mortgage loans during 2009, 2010, and 2011 were to low-income borrowers. At the prior Performance Evaluation, 14.2 percent of mortgage loans within the Assessment Area were granted to moderate-income borrowers while 8.7 percent of the mortgage loans originated during 2009, 2010 and 2011 were to moderate-income borrowers. Further deterioration in lending to both low- and moderate-income borrowers was noted during the first half of 2012.

In lending to low- and moderate-income borrowers, NWB's performance relative to peer has declined since the prior Performance Evaluation. HMDA peer data for 2011 was the most current peer data available for comparison purposes. We also compared the mortgage lending volumes to the percentage of families designated as either low- or moderate-income to U.S. Census Bureau figures for the Assessment Area. These low- and moderate-income family figures indicate additional lending opportunities to that segment of the community.

The following table demonstrates the distribution of NWB's HMDA-reportable mortgage loans within the Assessment Area sorted by the borrower's income compared to peer group measurements of other HMDA reporting financial institutions in the Assessment Area.

Distribution by Borrower Income of HMDA-reportable mortgage loans In the Assessment Area (Dollars in Thousands)							
Income Level	Families by Income Category (2000 census)	NWB First Half 2009, 2010, and 2011		2011 Peer Lending	Families by Income Category (2010 census)	NWB First Half 2012	
	%	#	%	%	%	#	%
Low	19.5	8	1.5	6.1	18.3	1	1.1
Moderate	18.5	46	8.7	14.2	18.2	4	4.6
Middle	23.2	90	17.0	20.2	25.4	16	18.2
Upper	38.8	379	71.6	51.3	38.1	67	76.1
NA	0.0	6	1.2	8.2	0.0	0	0.0
Total	100.0	529	100.0	100.0	100.0	88	100.0
		$	%	%		$	%
Low	19.5	467	0.5	2.5	18.3	20	0.1
Moderate	18.5	4,859	5.1	8.3	18.2	410	2.7
Middle	23.2	10,760	11.3	15.0	25.4	1,941	12.8
Upper	38.8	77,949	81.9	59.7	38.1	12,814	84.4
NA	0.0	1,181	1.2	14.5	0.0	0	0.0
Total	100.0	95,216	100.0	100.0	100.0	15,185	100.0

Source: Aggregate filings of Bank HMDA Reports (2009-2012), and 2010 and U.S. Census Bureau data

Community Development Lending

Management presented two loans inside the Assessment Area that qualified under the regulation as community development in nature, totaling $300,000. The loans were not considered innovative or flexible, and we did not consider the dollar amount significant given NWB resources.

Flexible or Innovative Credit Programs

No programs that would relate to CRA performance were noted.

Lending Activity Outside the Assessment Area

As described above, NWB is a non-traditional bank. Since we determined that the lending test performance inside its Assessment Area is inadequate, we did not consider lending activities outside the Assessment Area.

Investment Test

The bank's performance under the investment test is excellent, supportive of an outstanding rating. The qualified investments and grants, especially considering the contribution of the affiliate, exceed the standards for satisfactory performance. The number and dollar amount of both qualifying investments and grants within the Assessment Area are strong. Therefore, due to NWB's non-traditional nature, we gave further credit to NWB for qualifying investments and grants outside the Assessment Area. We determined that the original dollar amount of investments and grants made during the review period represented 15.3 percent of Tier One capital.

NWB Qualified Investments

NWB's investments and grants are detailed in the chart below. We assigned credit for qualifying investments that were purchased during the review period or prior periods if a balance remains. This portfolio was comprised entirely of Fannie Mae (FNMA) mortgage backed securities. While we did not note any particularly unique or creative component to the qualifying investments, we consider the dollar amount to exceed the standard for satisfactory performance.

Qualified Investments – Nationwide Bank, FSB September 3, 2008 through December 17, 2012				
Date Investment/Grants	**Original Dollar Amount (000)**	**Current Dollar Balance (000)**	**Primary Area Served**	**Description of Investment**
12/26/2007	NA	$1,615	Columbus MSA	FNMA Pool
11/19/2007	NA	$1,949	Columbus MSA	FNMA Pool
12/15/2009	$704	$407	Columbus MSA	FNMA Pool
10/09/2009	$655	$434	Columbus MSA	FNMA Pool
11/09/2009	$1,267	$858	Columbus MSA	FNMA Pool
1/04/2010	$950	$618	Columbus MSA	FNMA Pool
2/18/2010	$1,000	$700	Columbus MSA	FNMA Pool
4/20/2010	$374	$232	Columbus MSA	FNMA Pool
5/20/2010	$1,011	$826	Columbus MSA	FNMA Pool
6/09/2010	$1,050	$618	Columbus MSA	FNMA Pool
1/10/2011	$1,002	$974	Columbus MSA	FNMA Pool
11/15/2010	$1,065	$934	Columbus MSA	FNMA Pool
3/08/2011	$482	$146	Columbus MSA	FNMA Pool
2/08/2011	$753	$709	Columbus MSA	FNMA Pool
4/08/11	$801	$795	Columbus MSA	FNMA Pool
Investment Total – Assessment Area or Broader Geographic Area	**$11,114**	**$11,815**		
8/09/2011	$4,497	$5,336	USA	FNMA Pool
7/12/2011	$4,497	$4,005	USA	FNMA Pool
9/20/2011	$4,715	$4,652	USA	FNMA Pool
10/20/2011	$4,989	$4,624	USA	FNMA Pool
2/14/2012	$3,761	$3,564	USA	FNMA Pool
2/14/2012	$1,212	$1,264	USA	FNMA Pool
6/15/2012	$5,006	$5,244	USA	FNMA Pool
5/03/2012	$4,990	$5,157	USA	FNMA Pool
7/21/2010	$662	$577	USA	FNMA Pool
8/19/2010	$1,077	$1,092	USA	FNMA Pool
9/09/2010	$1,021	$868	USA	FNMA Pool
12/7/2010	$833	$373	USA	FNMA Pool
Investment Total – USA	**$37,260**	**$36,756**		
Total – Investments	**$48,374**	**$48,571**		

Source: Internal NWB Records

The FNMA Mortgage Backed Securities (MBS) qualify due to the low- or moderate-income status of the borrowers relating to the underlying loans upon which the security is based. In the cases where we confirmed that the majority of the borrowers were residents of the Assessment Area, the MBS was considered to be in the Assessment Area.

Affiliate Qualified Investments

The following table illustrates the affiliate investments (all Nationwide Foundation grants) paid during the review period. We found the dollar amount to be strong. Most of the grants were in the form of operating funds to organizations providing community services to low-income and very low-income area residents, such as homeless persons. Some donations were designed for more specific purposes, such as the construction or repair of a homeless shelter. None of the grants served a statewide or regional area greater than the Assessment Area, so the focal point of our analysis was grants in the Assessment Area. Because we determined that the performance inside the Assessment Area was strong, we also considered qualifying grants outside of the Assessment Area.

Qualified Grants – Nationwide Foundation September 3 ,2008 through December 17, 2012		
Aggregate Qualifying Grants by Year	**Original Dollar Amount ($000)**	**Primary Areas Served**
9/03/2008 – 12/31/2008	1,301	Columbus MSA
2009	1,207	Columbus MSA
2010	1,263	Columbus MSA
2011	1,037	Columbus MSA
1/1/2012 – 10/31/2012	601	Columbus MSA
Total Assessment Area	**5,409**	
9/03/2008 – 12/31/2008	0	Nationwide Corporate employment clusters
2009	1,269	Nationwide Corporate employment clusters
2010	2,369	Nationwide Corporate employment clusters
2011	2,292	Nationwide Corporate employment clusters
1/1/2012 – 10/31/2012	2,255	Nationwide Corporate employment clusters
Total – Outside Assessment Area	**8,185**	
Total – Grants	**13,594**	

Source: Internal Nationwide Foundation Records

Grant recipients include, but are not limited:

Mid-Ohio Food Bank – Provides emergency food for low-income residents in the Columbus MSA.

Central Iowa Shelter & Services -- Provides emergency food for low-income residents in the Des Moines IA area, an area of Nationwide employment concentration.

Feeding America -- A national organization providing community services by way of its food bank network of over 200 local food banks located throughout the nation. The food bank network provides emergency food to low-income residents throughout the country.

Service Test

The bank's performance under the Service Test is low satisfactory.

While NWB, as part of the larger Nationwide Corporation, in many ways is exemplary in terms of community involvement and community service, we were able to identify only a modest number of such activities that are also considered "community development services" as defined under the Community Reinvestment Act. We also evaluated standard retail services provided, which we considered satisfactory, given the business model.

Retail Services

As previously discussed in this Performance Evaluation, NWB does not deliver its products to customers via a traditional business model. Management relies on its Internet operations, the two employee credit union legacy offices, a large network of ATM machines located throughout the country, along with traditional mail and telephone to market, book and service its accounts. Due to the business model, we emphasized Internet, telephone banking, ATM and community development services in our evaluation of the Service Test.

NWB's two offices are located in the Assessment Area; however, they are not readily accessible to the general public as a means of conducting general retail banking business. NWB management established the offices long ago as part of the employee credit union. Both offices are located in upper-income geographies. We note the area surrounding the main office was designated as high-income by the 2010 census, after having been considered low-income by the 2000 census. We did not consider the lack of physical offices in low- or moderate-income geographies a negative due to the Bank's non-traditional business model.

NWB owns 12 ATM machines, most of which are located inside of office buildings and not readily accessible to the general public. However, nearly 70,000 additional ATMs (not Nationwide branded, or owned by the bank) are available for use by customers without incurring the usual nonproprietary ATM usage fees. We determined that 587 of these ATMs are within the Assessment Area. Customers may locate the nearest ATM by using the search feature on the bank's website. We noted no opening or closing of any branches or NWB-owned ATMs in the Assessment Area during the review period.

Customers can conduct business over the Internet 24 hours a day, seven days a week. Internet services include: paying bills online; transferring funds between accounts; and applying for specific products. Full-service telephone customer service hours are 8:00 am – 8:00 pm, Eastern Time, Monday through Friday. If a customer calls outside these hours, they will be forwarded to an automated voice response unit, which allows them to receive automated information about their accounts. There is no charge on consumer purpose accounts for either the Internet or telephone banking services. Mobile banking services are also offered.

Given the business model, we considered retail services to be adequate.

Community Development Services

As mentioned above, we identified a limited number of services that qualify under the Community Reinvestment Act as community development services. To be a qualifying community development service, management must demonstrate that the activity has both a primary purpose of community development and is related to the provision of financial services.

We gave consideration to the following Community Development Services:

Get Real - This is a student financial literacy and life skills program. Nationwide sponsored financial education for students attending the Columbus Public School system. Students who attended the Get Real event received a one-time offer from Nationwide Bank. Students who deposited $50 of their own money into a Nationwide Bank savings account received matching funds from Nationwide of up to $50. We identified two different Get Real events during the review period attended by 1,200 students.

Board Membership – A member of the senior management team serves as Chairman of the Board of Homeport Columbus, a non-profit organization serving the Columbus area that promotes credit availability and affordable housing.