

# PUBLIC DISCLOSURE

June 1, 1998

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The St. Henry Bank  
043953900000  
213 East Main Street  
St. Henry, Ohio 45883

Supervisory Agency: Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, Ohio 44101-1387

**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 St. Henry Bank, in St. Henry, Ohio, ("SHB") prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of June 1, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

Several factors support SH satisfactory rating. First, the bank maintains a reasonable loan-to-deposit ratio. Second, the bank has made a majority number of its loans within its assessment area. Third, based on an analysis of the bank's loans, the bank lends to borrowers of many different income levels and small businesses. Finally, the geographic distribution of the bank's loans is reasonable.

## **DESCRIPTION OF INSTITUTION**

Based on its size and financial condition, the bank effectively meets the credit needs of the assessment area. The bank operates full-service offices in St. Henry, and Maria Stein, Ohio. In addition, the bank has two automated teller machines ("ATM") in St. Henry and Maria Stein, Ohio. All the bank's ATMs have 24-hour access. The bank received a satisfactory rating at its last CRA evaluation.

According to the March 31, 1998, Report of Condition ("ROC"), the bank had total assets of approximately \$110.0 million. Since September 30, 1996, the bank's loans have decreased by approximately \$1.5 million while deposits have increased by approximately \$10.4 million. In addition, the bank's total assets increased by approximately \$11.3 million. The bank's average loan-to-deposit ratio since September 1996 is about 70.6%. Its loan-to-deposit ratio as of March 31, 1998 (68.3%), has decreased since the last CRA evaluation. The bank's loan portfolio is comprised of approximately 42% real estate, 8% consumer, 33% agriculture, and 17% commercial loans. The composition of the bank's loan portfolio reflects the level of demand for specific types of loans by members of the assessment area.

The bank offers a variety of loan products to fulfill the credit needs of residents and businesses within its assessment area. It extends consumer open- and closed- end, residential real estate, agricultural, and commercial loans. In addition to offering these conventional loan products, the bank participates in FHA and VA government loan programs.

**DESCRIPTION OF THE SAVINGS BANK AND TRUST COMPANY ASSESSMENT AREA**

The bank's assessment area is defined as Mercer County, Ohio. Mercer County is comprised of block numbering areas ("BNA") 9672 through 9680. There are no Metropolitan Statistical Areas in SHB's assessment area. The St. Henry and Maria Stein offices are located in Mercer County. Mercer County BNAs include no low-income, 1 moderate-income (9678), 5 middle-income (9672, 9673, 9674, 9676, 9780), and 3 upper-income (9675, 9677, 9679) areas.

According to 1990 census data, the population for the assessment area is 39,443. The racial composition of the assessment area is primarily white (98.8%). Remaining assessment races include Hispanic (0.7%), American Indian (0.2%), Asian (0.2%), and Other race (0.1%). The population of St. Henry is approximately 1,907.

CRA divides income levels into four categories: low, moderate, middle, and upper income. Because the bank's assessment area is not located in a metropolitan statistical area, the categorization of a borrower or BNA's income is determined relative to the statewide nonmetropolitan median family income. Pursuant to CRA's definitions, low-income individuals have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income borrowers have incomes of at least 50% but less than 80% of this amount. The regulation defines a middle-income borrower as one with an income of at least 80% but less than 120% of the statewide nonmetropolitan family income. A borrower with an income that is at least 120% or more of the statewide nonmetropolitan family income is considered upper income. BNAs and census tracts are classified using similar categories based on the level of median family income in the geography.

As of the 1990 census, the median family income for Mercer County is \$33,935. According to 1990 census data, the statewide nonmetropolitan median family income in Ohio is \$30,563. There are 10,592 families and 13,448 households in the assessment area. Based on 1990 census data, the median household income for the assessment area is \$29,618. Ohio's nonmetropolitan median household income is \$25,910. Approximately 5.2% of the families and 7.6% of the households in the assessment area have incomes below the poverty level.

The chart below shows the assessment area's population distribution by tract income level.

**POPULATION DISTRIBUTION  
BY CENSUS TRACT OR BNA INCOME LEVEL**

	<u>Population</u>	<u>Percentage</u>
Low income	0	0
Moderate Income	1,796	4
Middle Income	21,177	54
Upper Income	16,470	42

The distribution of household and family income for the assessment area is summarized

in the following table:

**ASSESSMENT AREA POPULATION BY INCOME LEVEL**

<u>Unit of Measure</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
Percentage of Households Compared to Median Household Income	0	6	55	39
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Percentage of Families Compared to Median Family Income	0	5	54	40

Examiners contacted one trade association official as part of the bank's CRA evaluation. Information from this contact was used to evaluate the bank's CRA performance.

According to the community contact and bank management, although the economy in the bank's assessment area is experiencing steady economic growth; Huffly Bicycle, the county's largest employer will be closing its doors during the fourth quarter 1998. Community leaders have formed a task force to address this important issue. The local economy continues to rely on agriculture (dairy and crops), transportation, and manufacturing industries.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance in meeting the credit needs in its assessment area is considered satisfactory. The following criteria was analyzed to determine this rating.

Loan-to-Deposit Ratio Analysis

The bank's loan-to-deposit ratio is reasonable and, as such, meets the standards for satisfactory performance. The quarterly average of the bank's loan-to-deposit ratio is approximately 70.6% since the previous evaluation. The following chart, based on quarterly ROC data, shows that the bank's ratio has ranged from 75.5% to 64.5% since the previous CRA evaluation. The loan-to-deposit declines are primarily caused by several large commercial and agricultural borrower loan payouts, seasonal borrowings (loan volume increases) and loan paydowns (loan volume decreases), and an increase in deposits owing to a recent merger of several local financial institutions. The bank's loan-to-deposit ratio decreased by approximately 11% since the last CRA evaluation.

<u>Date</u>	<u>Loans (In thousands)</u>	<u>Deposits (In thousands)</u>	<u>Loan-to-Deposit Ratio</u>
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September 30, 1996	\$55,743	\$ 73,786	75.5%
December 31, 1996	\$55,826	\$ 77,772	71.8%
March 31, 1997	\$54,225	\$ 77,176	70.3%
June 30, 1997	\$55,773	\$ 77,575	71.9%
September 30, 1997	\$57,014	\$ 79,082	72.1%
December 31, 1997	\$55,620	\$ 81,336	68.3%
March 31, 1998	\$54,248	\$ 84,164	64.5%

SHB faces stiff competition from other financial institutions in its assessment area. Farm Credit, Community First, and Osgood Bank are SHB's main competitors for loans and deposits. Based on loan demand, the lack of any identified unmet credit needs, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

**COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA**

A review of a statistical sample of the loans originated by the bank since the last CRA evaluation reveals that a majority of its loans were made inside its assessment area. The following table shows the percentages for number and dollar volume of major loan product lines that were inside the assessment area.

**PERCENTAGE OF LOANS IN THE ASSESSMENT AREA**

<b><u>Major Loan Product Lines</u></b>	<b><u>Total Number of Loans</u></b>	<b><u>Total Dollar Amount of Loans</u></b>
Consumer	89	89
Residential	89	85
Small Business	82	84
Small Farm	92	95

This level of concentration in the assessment area exceeds standards for satisfactory performance. As discussed previously, residential and small farm loans comprise 75% of the bank's loan portfolio and almost all of these types of loans are in the assessment area. In addition, as noted in the table, the majority of all the bank's loans are within the assessment area.

**LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES**

The bank's record of lending to borrowers of different income levels and to businesses of different sizes exceeds the standards for satisfactory performance. The bank provides consumer and residential loans to individuals of all different income categories, as shown in the following chart.

**DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL\***

<u>Loan Type</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
<b>CONSUMER</b>				
Total Number of Loans	59%	33%	3%	5%
Total Amount of Loans	44%	42%	9%	5%
<b>RESIDENTIAL</b>				
Total Number of Loans	4%	22%	35%	39%
Total Amount of Loans	9%	26%	32%	33%

\*Income level based on Ohio's 1996 nonmetropolitan median family income of \$30,563 and Mercer County's median family income of \$33,935 respectively.

The data in the table indicate that the bank originated 92% of its consumer loans and 26% of its residential loans to low- and moderate-income individuals. Consumer and residential loans comprise approximately 50% of the bank's total loan portfolio. This level of consumer lending is excellent. As previously discussed under the Description of Institution section, approximately 6% of the assessment area's households have low- and moderate-incomes. The bank's consumer and residential lending to low- and moderate-income individuals is excellent. The remaining consumer loans are divided between middle- and upper-income categories.

Most of the bank's commercial and agricultural borrowers are small businesses. In fact, all small farm and small business loans sampled went to borrowers with gross annual revenues of \$1 million or less. The size and volume of the loans appear superior. Based on the CRA sample, 100% of the small farm loans had amounts less than or equal to \$100,000. Small business loans with amounts less than or equal to \$100,000 equaled 88%; 9% of these loans had amounts between \$100,000 and \$250,000. The bank's emphasis on small business lending, which represents 50% of the bank's loan portfolio, together with consumer and residential loans to low- and moderate-income borrowers, demonstrates a commitment to meeting the credit needs of all segments of the community and exceeds the standards for satisfactory performance.

### GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans between geographies of different income levels in its assessment area is reasonable. As previously discussed, the bank's assessment area includes one moderate-income tracts, five middle-income, and three upper-income tracts and BNAs. Approximately 4% of the population reside in the moderate-income tract, 54% reside in the middle-income tract, and the remaining 42% reside in the upper-income tract. As the following chart indicates, the bank's lending patterns mirror this distribution.

### **DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BNA OR CENSUS TRACT INCOME LEVEL**

<u>Loan Type</u>	<u>Moderate- Income</u>	<u>Middle- Income</u>	<u>Upper- Income</u>
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<b>CONSUMER</b>			
Total Number of Loans	1%	22%	77%
Total Amount of Loans	1%	21%	78%
<b>RESIDENTIAL</b>			
Total Number of Loans	0%	17%	83%
Total Amount of Loans	0%	19%	81%
<b>SMALL BUSINESS</b>			
Total Number of Loans	0%	21%	79%
Total Amount of Loans	0%	7%	93%
<b>SMALL FARM</b>			
Total Number of Loans	0%	30%	70%
Total Amount of Loans	0%	31%	69%

As shown above, the percentages of consumer, residential, and small business, and small farm in the moderate-income tract approximates the percentage of assessment area residents living in this tract. In addition, a large portion of the one moderate-income BNA is Grand Lake St. Mary's and the number of borrowers is limited. Also, much of the population is comprised of seasonal residents. As such, the bank's geographic distribution of loans is reasonable and, thus, meets the standards for satisfactory performance.

#### General Comments

The evaluation did not reveal any practices that are inconsistent with the substantive provisions of the fair lending and fair housing laws and regulations. In addition, the bank has not received any CRA complaints since the previous evaluation.

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