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Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

December 5, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Waverly
Charter Number: 5635**

**107 North Market Street
Waverly, Ohio 45690**

**Office of the Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 101
Dublin, Ohio 43017-3577**

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.

GENERAL INFORMATION

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

The First National Bank of Waverly (FNB) has a **SATISFACTORY** record of meeting community credit needs.

- This institution meets the requirements for satisfactory performance for all applicable performance criteria.
- FNB is responsive to its community's credit needs as a majority of the loans in our sample were made within the bank's assessment area (AA). Overall 90% of the loans in our sample were inside the bank's AA.
- The distribution of loans reflects, given the demographics of the AA, reasonable penetration among borrowers of different income levels and businesses of different sizes. The analysis of loans in our sample demonstrates that FNB makes a majority of their loans to low- and moderate-income borrowers, with at least 50% of the loans in our sample to low- and moderate-income individuals.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The bank's current and 26-quarter average loan-to-deposit ratios are reasonable. The loan-to-deposit ratio as of September 30, 2005 was 58.73%.

DESCRIPTION OF INSTITUTION

The First National Bank of Waverly is a subsidiary of Central Ohio Bancorp. Central Ohio Bancorp is a holding company, which consists of FNB Waverly, Central Ohio Loan Services, and Central Ohio Financial Services. The bank operates six offices, with the main office located in Waverly, Ohio. The bank has two drive-through facilities located at the main office and the Piketon office. The bank also has eight ATM facilities located throughout Pike County. Only one of the bank's branches (Latham Branch) is located in a moderate-income census tract as of the 2000 U.S. Census Data, updated as of 2004, and the rest are in middle-income census tracts. The bank offers standard products and services through its six banking offices in Pike County. Waverly is located in south-central Ohio, 15 miles south of Chillicothe and 65 miles south of Columbus. The bank's primary focus is retail banking, with the majority of its loans extended for residential real estate, commercial real estate, and consumer purposes. Competition in the AA comes from a local credit union, a savings bank and several branches of large state and national banks in the surrounding areas. There are currently no legal or economic impediments that restrict the institution's ability to serve the community's credit needs. The bank's CRA rating at the prior examination as of March 31, 1999 was Satisfactory.

As of September 30, 2005, the bank had \$138.5 million in total assets. Gross loans totaled \$73.4 million. The percentage of net loans and leases to average total assets is 52%. Loans for the purchase of one-to-four family residential units and business loans represented 37% and 45% of gross loans, respectively. These are considered to be the bank's primary loan products.

LOAN PORTFOLIO MIX		
As of September 30, 2005		
Loan Type	Dollar Volume (in 000's)	Percent of Gross Loans
One-to-four Family Residential Real Estate Loans	\$26,956	37%
Loans to Individuals	\$3,145	4%
Commercial and Commercial Real Estate Loans	\$33,027	45%
Construction, land development, and other land loans	\$1,084	1%
All other loans	\$9,226	13%
TOTAL GROSS LOANS	\$73,438	100%

Source: September 30, 2005 Consolidated Report of Condition and Uniform Bank Performance Report.

DESCRIPTION OF ASSESSMENT AREA:

The bank's AA consists of the six census tracts, which constitute Pike County. Pike County is not in a Metropolitan Statistical Area (MSA). The AA meets all regulatory requirements and does not arbitrarily exclude low- or moderate-income areas. The AA consists of four middle-income census tracts (9522, 9523, 9524, and 9525) and two moderate-income census tracts (9526 and 9527) as of the 2000 U.S. Census Data updated for 2004. See the table below for the changes that were made in the census tract categorization from the U.S. Census Data from 2003 to 2004. Total population of the AA is 27,695. According to the 2000 U.S. Census Data, updated as of 2004, the Ohio non-MSA median family income was \$43,801 and \$44,739 for 2003. The Housing and Urban Development's (HUD) estimate of the Ohio statewide non-MSA median family income was \$50,600 for 2003, \$48,500 for 2004, and \$50,700 for 2005. Of the AA's 11,602 housing units, about 63% are owner-occupied and have a median housing value of \$68,361.

AA CENSUS TRACT CHARACTERISTICS				
	Moderate-Income Tracts		Middle-Income Tracts	
U.S. Census Data	Total # of Tracts	List of Tracts	Total # of Tracts	List of Tracts
As of 2003	4	9522, 9523, 9526, 9527	2	9524, 9525
As of 2004/2005	2	9526, 9527	4	9522, 9523, 9524, 9525

AA INCOME COMPOSITION AS A PERCENTAGE OF MEDIAN FAMILY INCOME				
2000 U.S Census Data	Low-Income Families	Moderate- Income Families	Middle-Income Families	Upper-Income Families
2003	28.84%	20.89%	20.53%	29.74%
2004	28.07%	20.71%	20.58%	30.64%

Source: 2000 U.S. Census Data, updated as of 2003 and 2004.

AA OWNER-OCCUPIED UNITS BY TRACT CATEGORY		
2000 U.S. Census Data	Moderate-Income	Middle-Income
2003	76.32%	23.68%
2004	37.55%	62.45%

Source: 2000 U.S. Census Data, updated as of 2003 and 2004.

The overall economic condition of the AA is weak. The AA is primarily rural with manufacturing, state/local government, and timber as the major industries. Major employers in the AA include Mills Pride, United States Enrichment Co., local school systems, city/county government offices, and Wal-Mart Stores Inc. Mead Company in Chillicothe is also a major employer. Competition in the AA is moderate and comes from a local credit union, a savings bank and several branches of large state and national banks in the surrounding areas.

The economy remains weak with high unemployment rates. The unemployment rate as of September 2005 was 8.8% for Pike County, which is high when compared to the Ohio average of 5.6%. Pike County had the second highest unemployment rate in the state of Ohio at September 30, 2005. FNB had approximately 61% of the Pike County market share of total deposits as of June 30, 2005.

Our discussions with community leaders (via one community contact with a community based development organization) and bank personnel indicate that community credit needs are being adequately met. They identified credit needs as affordable housing for low- and moderate-income families, small business financing, and small consumer loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

- **Based on criteria for the CRA Lending Test, this bank's lending performance is satisfactory.**

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio of 58.73% as of September 30, 2005 is reasonable. The average LTD ratio over the 26 quarters since the last CRA examination (June 30, 1999 to September 30, 2005) of 67.26% is also reasonable. The bank's average quarterly LTD ratio ranged from a low of 55.29% at June 30, 2004 to a high of 76.46% at March 31, 2000. For analysis purposes, FNB's current and 26-quarter average LTD ratios were compared with a custom peer group consisting of banks of similar size and purpose (total assets less than \$250 million) in a five county area surrounding Pike County. The analysis showed that FNB's LTD ratios were lower than the peer group average of 91.41% as of September 30, 2005, for that peer group. FNB's LTD ratio was also compared to a peer group consisting of Ohio financial institutions with total assets less than \$250 million. This peer group's average LTD ratio as of September 30, 2005, was 78.69%. Overall, FNB's LTD ratios are lower than peer, but still remain satisfactory.

Lending in the Assessment Area

The bank's record of lending within the AA is reasonable and supports satisfactory performance. The bank's primary loan types consist of residential real estate and small business loans (commercial real estate and other commercial loans). We sampled twenty loans from each of the following loan types for two time periods (2003 and 2004/2005) for a total of 80 loans: residential real estate refinance loans and small business loans. The sample consisted of loans originated from January 1, 2003 to September 30, 2005. The following table (Table 1) details the bank's lending within the AA by number and dollar volume. This table demonstrates that a majority of the loans are made inside the bank's AA.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE Refinance	35	88%	5	12%	40	\$1,615	86%	\$264	14%	\$1,879
Small Business	37	93%	3	7%	40	\$6,706	97%	\$226	3%	\$6,932
Totals	72	90%	8	10%	80	\$8,321	94%	\$490	6%	\$8,811

Source: Loan Sample.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of residential real estate lending reflects reasonable penetration among individuals of different incomes including low- and moderate-income borrowers and supports overall satisfactory performance. In addition, the bank's record of lending to businesses of different sizes is excellent and further supports the overall satisfactory conclusion in this area.

The analysis below demonstrates that the bank makes a majority of their loans to low- and moderate-income borrowers, with at least 50% of the loans in our sample to low- and moderate-income individuals. Our business lending sample reflected an excellent responsiveness to lending to small businesses.

2003 Lending Analysis, using the 2000 U. S. Census Data:

The residential real estate refinance loan sample analysis demonstrates that the bank makes a reasonable volume of its loans to low- and moderate-income borrowers. FNB made 30% of the number of loans in this loan sample to low-income borrowers, which is commensurate with the 29% of low-income families in the AA. FNB made 25% of the number of loans in this sample to moderate-income borrowers, which is more than the 21% of moderate-income families in the AA. FNB made 100% of the number of business loans in our sample to businesses with gross revenues less than \$1 million, which is excellent when compared with the demographics of the AA.

Refer to Tables 2 and 3 below for specific details on loans made to low- and moderate-income borrowers and small businesses in 2003.

2004 – 2005 Lending Analysis, using the 2000 U.S. Census Data, updated as of 2004:

The residential real estate refinance loan sample analysis for 2004/2005 also demonstrates that the bank makes a reasonable volume of their loans to low- and moderate-income borrowers. FNB made 25% of the number of loans in this sample to low-income borrowers, which is slightly less than the 28% of low-income families in the AA. However, FNB made 25% of the number of loans in this sample to moderate-income borrowers, which is good when compared with the 21% of moderate-income families in the AA. FNB made 90% of the number of loans in our business loan sample to businesses with gross revenues less than \$1 million, which compares very favorably with the demographics of the AA.

Refer to Tables 2A and 3A below for specific details on loans made to low- and moderate-income borrowers in 2004 - 2005.

Overall, our sample represented a satisfactory responsiveness to lending to low- and moderate-income borrowers and businesses of different sizes. The unemployment rate in Pike County is higher than the state and national level; it is the second highest in the state of Ohio as of September 30, 2005 at 8.8%. According to the 2000 U. S. Census Data, 19% of the households are below the poverty level, while another 29% of the households receive social security benefits and 7% receive public assistance. Taking these factors and the results of our analyses into consideration, the bank is providing credit services that meet the needs of the community, as identified by the community contact.

<p>Table 2 – Borrower Distribution of Residential Real Estate Refinance Loans in the bank’s AA 2003 Loan Sample</p>
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Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 RE Refinance Loans	29%	30%	21%	25%	20%	40%	30%	5%

Source: Loan Sample; 2000 U.S. Census Data, as of year 2003.

Table 2A - Borrower Distribution of Residential Real Estate Refinance Loans in the bank's AA 1/1/2004 – 9/30/2005 Loan Sample								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 RE Refinance Loans	28%	25%	21%	25%	20%	25%	31%	25%

Source: Loan Sample; 2000 U. S. Census Data, updated as of 2004.

Table 3 – Borrower Distribution of Loans to Businesses in the bank's AA 2003 Loan Sample				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66%	5%	29%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan Sample; 2000 U.S. Census Data, as of year 2003.

Table 3A – Borrower Distribution of Loans to Businesses in the bank's AA 1/1/2004 – 9/30/2005 Loan Sample				
Business Revenues (or Sales)	Less than or equal to \$1,000,000	Greater than or equal to \$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	65%	5%	30%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	87%	7%	6%	100%

Source: Loan Sample; 2000 U.S. Census Data, updated as of 2004.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA and supports an overall satisfactory conclusion in this area. The following tables represent our sample of the distribution of residential real estate refinance loans and lending to businesses of different sizes within the bank's AA. See the "Description of the AA" for more details on the

number of low- and moderate-income census tracts in the AA.

2003 Lending Analysis, using the 2000 U. S. Census Data:

During this time period, the bank had four geographies in the AA that were designated as moderate-income (67%), and none that were designated as low-income. Seventy-six percent of the owner-occupied units in the AA were in moderate-income tracts. The bank granted 75% of the residential real estate refinance loans in our sample in moderate-income areas, which is commensurate with the percentage of owner occupied units in the AA. The bank granted 60% of the small business/commercial loans in our sample in moderate-income areas, which is more than the 59% of the businesses in moderate-income tracts. Refer to tables 4 and 5 for separate details on the residential real estate refinance and small business/commercial loan samples.

2004 - 2005 Lending Analysis, using the 2000 U.S. Census Data, updated for 2004:

During this time period, the bank had only two geographies in the AA that were designated as moderate-income (33%); there were no low-income geographies in the AA. Thirty-eight percent of the owner-occupied units in the AA were in moderate-income tracts. The bank granted 25% of the residential real estate refinance loans in our sample in moderate-income areas, which is less than the percentage of owner occupied units in the AA. The bank granted 5% of the small business/commercial loans in our sample in moderate-income areas, which was also less than the 21% of the businesses in moderate-income tracts. Refer to table 4A and 5A for separate details on the residential real estate refinance loans and consumer loans.

Overall, the analysis reflects reasonable lending activity throughout the AA. In our sample, loans were made in all of the geographies in the AA. Census tracts 9526 and 9527 were moderate-income tracts for both 2003 and 2004 census data. These tracts are located in the western part of Pike County. Using 2004 census data, only 36% of the county's population lives in these tracts and only 21% of the businesses in the county are in these two tracts. Management stated that this area is primarily rural in nature. The bank does not have a branch in tract 9526. The city of Waverly is the county seat, largest city/town in the Pike County, and is located in census tracts 9524 and 9525. Management stated that the majority of the businesses and their loan activity come from the other four census tracts in the AA.

No evidence exists that the bank is excluding low- or moderate- income individuals or moderate-income geographies.

<p>Table 4 - Geographic Distribution of Residential Real Estate Refinance Loans in the bank's AA 2003 Loan Sample</p>
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Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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 RE Refinance Loans	N/A	N/A	76%	75%	24%	25%	N/A	N/A

Source: Loan Sample; 2000 U.S. Census data, as of year 2003.

Table 4A - Geographic Distribution of Residential Real Estate Refinance Loans in the bank's AA 1/1/2004 – 9/30/2005 Loan Sample								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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 RE Refinance Loans	N/A	N/A	38%	25%	62%	75%	N/A	N/A

Source: Loan Sample; 1990 U.S. Census data, updated as of 2004.

Table 5 - Geographic Distribution of Loans to Businesses in the bank's AA 2003 Loan Sample								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business – commercial loans	N/A	N/A	59%	60%	41%	40%	N/A	N/A

Source: Loan Sample; 2000 U.S. Census data, as of year 2003.

Table 5A – Geographic Distribution of Loans to Businesses in the bank's AA 1/1/2004 – 9/30/2005 Loan Sample								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business – commercial loans	N/A	N/A	21%	5%	79%	95%	N/A	N/A

Source: Loan Sample; 2000 U.S. Census data, updated as of 2004.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet assessment area credit needs during this evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.