



PUBLIC DISCLOSURE

July 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**107 North Market
Waverly, Ohio 45690**

**Office of the Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 202
Dublin, Ohio 43017**

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 First National Bank of Waverly, Waverly, Ohio** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 12, 1999**. 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 record of meeting community credit needs.

- The First National Bank of Waverly has experienced significant growth in its loan-to-deposit ratio, increasing from 41% to 61% from December 31, 1995 to March 31, 1999 (twelve-quarter average). The loan-to-deposit ratio as of March 31, 1999 was 67%.
- The majority of the bank's lending activity occurs within its assessment area and loans are reasonably dispersed throughout the area.
- The bank lends to borrowers of different income levels and businesses of different sizes in a reasonable fashion.

DESCRIPTION OF INSTITUTION

The First National Bank of Waverly is an independent community bank that operates two full-service offices, the main office in Waverly and a branch in Piketon. Two limited service branches are operated as well, one in Waverly and the newest location, which opened in July 1999, in Beaver. Eight ATM facilities are located throughout Pike County. Piketon is located approximately 15 miles from Waverly and Beaver is located 17 miles from the city. 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 comes from a local credit union, a branch of a community bank based in Gallipolis, Ohio, a building and loan company, and one branch of a national bank. 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 April 9, 1996 was Satisfactory.

As of March 31, 1999, the bank had \$136.4 million in total assets. Gross loans totaled \$81.1 million. The percentage of net loans and leases to average total assets is 58.8%. Loans for the purchase of one-to-four family residential units, business loans, and consumer loans represented 49%, 34%, 14% of gross loans, respectively.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of the six block numbering areas (BNAs) 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 moderate-income BNAs (9522, 9523, 9526, and 9527) and two middle-income BNAs (9524 and 9525). Total population of the AA is 24,249. Pike County is primarily a rural area, but has a retail base supporting traditional stores and restaurants. The economy remains weak with the unemployment rate of 9.9% as of March 31, 1999 compared to the Ohio average of 4.3%. The median family income for the AA as of December 31, 1998, was \$22,937 compared to \$40,500 for the Department of Housing and Urban Development estimated non-MSA median family income for the state of Ohio. The median housing value for the AA is \$41,140 and the percentage of owner-occupied units is 62.9%. The largest employers are Lockheed Martin, Mill's Pride, Mead Company and Brown Corporation.

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 home loans for low- and moderate- income families and small business financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Income and Businesses of Different Sizes

Based upon the demographics of its AA, the bank's lending to borrowers of different income levels and

businesses of different sizes is reasonable. As of December 1998, demographic information reveals that 53% of the families within the AA are categorized low- or moderate- income (35% low; 18% moderate). The loan sample consisted of 20 residential real estate loans and 20 consumer loans originated between June 1996 and June 1999 (Six loans chosen from 1997, six from 1998, five from 1999 and three from 1996). The sample revealed 52.5% of the loans were made to low- and moderate- income borrowers. The following table illustrates that the bank's lending to borrowers of different income levels closely approximates demographic results:

<u>Level of Income</u>	<u>Percentage of Loans in Sample (40)</u>
Low	32.5
Moderate	20.0
Middle	32.5
Upper	15.0

Approximately 80% of business loans (20 loans sampled based upon the aforementioned time frame) were made to small businesses (businesses with revenues less than \$1 million). For business loans in the AA, 76% of loans were made to small businesses. Based upon demographic data, approximately 87% of businesses within the AA are categorized as small businesses. This information demonstrates that the bank is providing credit services that meet the needs of the community, as identified by the community contact.

Lending in the Assessment Area

Based upon the loan sample reviewed, a substantial majority of the bank’s lending activities occurs within their designated AA (see table below).

	<u>Real Estate</u>		<u>Consumer</u>		<u>Business</u>		<u>Total</u>		<u>Percentage</u>	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
<u>Within AA</u>	19	1,067	15	114	17	722	51	1,903	85.0	90.6
<u>Outside AA</u>	1	75	5	23	3	99	9	197	15.0	9.4
<u>% within AA by type</u>	95.0	93.4	75.0	83.2	85.0	87.9				

Loan-to-Deposit Ratio

Given the continued trend of growth in the loan-to-deposit (LTD) ratio, the LTD ratio is considered reasonable. Over the past twelve quarters, the bank’s LTD ratio averaged 61.15%. This compares to the twelve-quarter average LTD ratio calculated at the prior CRA examination of 41.34%. The bank’s LTD ratio remains less than regional and national averages of 77.10% and 72.63%, respectively. The region consists of banks headquartered in Ohio, Indiana, West Virginia, and Kentucky with assets of \$115 - \$155 million and a similar loan portfolio structure.

Geographic Distribution of Loans

The following tables illustrate that the bank’s geographic distribution of loans reflects reasonable dispersion throughout is AA:

DISTRIBUTION OF 1-4 FAMILY RESIDENTIAL LOANS IN THE AA (19)		
	% of total owner-occupied units in each BNA	% of loan sample in each BNA
Moderate-Income BNAs	74%	58%
Middle-Income BNAs	26%	42%

DISTRIBUTION OF LOANS TO INDIVIDUALS IN THE AA (15)

	% of total population in each BNA	% of loan sample in each BNA
Moderate-Income BNAs	72%	47%
Middle-Income BNAs	28%	53%

DISTRIBUTION OF BUSINESS LOANS IN THE AA (17)		
	% of total business in each BNA	% of loan sample in each BNA
Moderate-Income BNAs	45%	41%
Middle-Income BNAs	55%	59%

Based upon the fifty-one loans sampled within the AA, 51% were made in the moderate- income BNAs and 49% were made in the middle income BNAs. The sample revealed lending in each of the six BNAs. The distribution did not identify any areas of little or no penetration.

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

Consumer Complaints

First National Bank of Waverly has not received any complaints during this evaluation period.

Other

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. This conclusion was reached based upon a review of the terms of eighty approved unsecured personal loans (40 loans made to males and 40 loans made to females) originated between December 1998 and June 1999.