



**Comptroller of the Currency
Administrator of National Banks**

Multinational Banking Division
250 E Street, S.W.
Washington, D.C. 20219

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

November 30, 1996

Bank One, Sidney, N.A.
134 East Poplar Street
Sidney, Ohio 45365

Charter # 7862

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| <p>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</p> |
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank One, Sidney, N.A. (Bank One)** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **November 30, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

“Outstanding record of meeting community credit needs.”

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

“Satisfactory record of meeting community credit needs.”

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

“Needs to improve record of meeting community credit needs.”

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

“Substantial noncompliance in meeting community credit needs.”

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated:

“Satisfactory Record of Meeting Community Credit Needs.”

Evaluation Period - The bank's previous Public Disclosure is dated April 27, 1993. The current disclosure evaluates the bank's performance from April 28, 1993 through November 30, 1996.

Bank Profile - Bank One, Sidney, N.A., (Bank One) is a wholly-owned subsidiary of Banc One Ohio Corporation (BOOC), which owns 17 commercial banks in Ohio. BOOC is wholly owned by Banc One Corporation (BOC). As of June 30, 1996, BOC reported total assets of \$97 billion and operated 59 banks in Arizona, Colorado, Illinois, Indiana, Kentucky, Louisiana, Ohio, Oklahoma, Texas, Utah, West Virginia, and Wisconsin.

Other BOC subsidiaries operating in Sidney include Banc One Mortgage Corporation (BOMC), Banc One Credit Card Services Company (BOCSC), Banc One Capital Corporation, Banc One Community Development Corporation (BOCDC), Banc One Investment Services, Banc One Trust Companies, N.A. (BOTC), Banc One Leasing Corporation, and Banc One Financial Services Corporation. To the extent that the activities of these subsidiaries help to meet the credit needs of the bank's community, they are part of the Bank One's CRA performance. They are not a part of any other institution's CRA activities.

Bank One's community consists of all of Shelby County, one census tract in both Darke and Logan Counties, and three census tracts in Auglaize County. Bank One has six full-service banking offices in Shelby County. This includes three in Sidney, and one each in Jackson Center, Botkins, and Russia. A seventh office serves Minster in Auglaize County. The bank also operates a Personal Loan Center near the Main Office in downtown Sidney, and six deposit-taking ATMs.

As of June 30, 1996, Bank One reported assets of \$258 million, with total loans and leases of \$166 million. Year-end loan-to-deposit ratios have declined steadily during the evaluation period from 94% at year-end 1992 to 76% at year-end 1995. However, the table excludes \$13 million in mortgage loans securitized and sold in 1995. This sale partially accounts for the relatively flat retail loan growth over the evaluation period. Net income for 1994 and 1995 totaled \$2.7 and \$4.0 million, respectively, for a return on average assets of 1.47% in 1994 and 1.6% in 1995. The following table reflects 1992, 1993, 1994, and 1995 financial information.

Bank One offers a wide range of credit products to its retail and small business customers, and remains a strong consumer lender. For each of the four years ended 1992 through 1995, loans to individuals, credit card loans, and 1-4 family residential loans represented between 65% and

70% of the loan portfolio. Loans for agricultural purposes, including mortgages for farm property, have had modest growth and represented 6% of the portfolio at mid-year 1996. The reader should note that the table below includes a significant volume of loans made by Bank One outside its delineated community. These are primarily indirect consumer loans.

**Year End Loans and Deposits
(In Thousands)**

| Type of Account | 1992 | 1993 | 1994 | 1995 | June 96 | 6-30-96 % |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Retail Loans | \$122,051 | \$120,295 | \$119,349 | \$109,212 | \$108,844 | 66 |
| Commercial Loans | 44,523 | 43,942 | 41,150 | 44,895 | 46,241 | 28 |
| Agricultural Loans | 8,492 | 8,813 | 9,222 | 10,160 | 10,839 | 6 |
| Total Loans (Gross) | \$175,066 | \$173,050 | \$169,721 | \$164,267 | \$165,924 | 100 |
| Total Deposits | \$185,363 | \$189,862 | \$196,936 | \$215,367 | \$204,145 | |
| Loan-to-Deposit Ratio | 94 | 91 | 86 | 76 | 81 | |

Source: Consolidated Reports of Condition

Community Profile - Bank One's CRA community consists of the ten census tracts of Shelby County, three in southern Auglaize County, one in northeastern Darke County, and one in western Logan County. Seven of the 15 census tracts are upper-income and eight are middle-income tracts. There are no low- and moderate-income (LMI) tracts. Auglaize County is part of the Lima Metropolitan Statistical Area (MSA). The bank's community is located in western Ohio and it flourishes through a healthy mix of light-to-medium industry and diversified, high-production agriculture. The community benefits from an educated, skilled workforce and excellent commercial highway access to population centers of the nation's Midwest.

There are an estimated 23,781 households in Bank One's delineated community, up from 22,632 at the 1990 census. Management provided an estimate of median household income in the market area of \$35,595 for 1995. Another measure of income is median family income and according to HUD, the estimated median family income for non-MSAs in Ohio was \$37,600 in 1995. In 1990, 6,928, or 31%, of all households were LMI. LMI is defined as less than 80% of the Ohio non-MSA median family income. LMI residents are dispersed throughout the middle- and upper-income tracts. About 7.6% of all households in the bank's community were below the poverty level, and 4.6% were on some form of public assistance. The U.S. Census classified the 1990 population of 62,254 as 98% white. Also, according to the 1990 census, 72% of the 23,686 housing units in the community were owner-occupied. The median housing value was \$59,200 in 1990, with a median year built of 1962.

Sidney has a population of about 19,000. The downtown area has been significantly upgraded and few empty store fronts were observed. Sidney's four interchanges on a major interstate highway have drawn much industry to the area. Many neighboring communities have small-to-medium size industrial parks with room for expansion. Community contacts stated that the local economy has been steadily improving and is viewed as excellent. Ample improved land exists for residential or commercial development. June 1996 unemployment figures ranged from 4.3% in Shelby County to 5.4% in Auglaize County, which is similar to the less than 5.0% rate for Ohio and 5.5% nationally. Several community leaders stated job vacancies exceed the number of workers available to fill them and constitute a deterrent to large-scale industrial expansion. Local companies train people who are willing to work and workers commute long distances for well paying jobs such as those at the Honda engine plant in Anna, Ohio. Other employers include Copeland Corporation, the Stolle Corporation, Amos Press, automotive component suppliers, many tool and die shops, metal fabricators, and a host of plants relying upon agriculture for their products. Mixed grain, predominantly soybeans and corn, dairy, and swine are principal sources of income for area farms.

Competition for banking products and services is provided by five commercial banks, including three other regional banks and several independent community banks. Bank One's principal commercial bank competitors in Sidney are Star Bank, Fifth-Third Bank, and a small community bank. Non-bank competition consists of three savings banks, several credit unions, and finance company outlets.

Community Credit Needs - The evaluation included contacts with eight community-based organizations, local government officials, and representatives of business groups. Contacts were made to obtain information on ongoing community credit needs and feedback on the bank's CRA performance. Community credit needs identified include:

- Versatile credit products for establishing or expanding small businesses, such as small balance loans and loans which might not fully meet the bank's underwriting standards.
- Loans for affordable single family and multi-family housing. This credit is especially needed for first time home buyers with low- or moderate-incomes. Construction financing as well as permanent financing is needed for the creation of single family housing.
- Education and technical assistance for prospective homeowners concerning buying a home, applying for a mortgage, how to budget, and the importance of maintaining good credit. The lack of understanding the mortgage process and inaccessibility to simple mortgage loan applications hampers access to credit. Other barriers to qualifying for mortgage loans for the purchase of affordable homes include poor credit history, high debt-to-income ratios, or insufficient funds for down payment and/or closing costs. Education and technical assistance help to address these issues.

Government agencies and local organizations are addressing the credit and technical education needs of small business to promote economic development, facilitate housing ownership, and

improve neighborhoods. Sidney's Development Department and its "Incubator Program" for small businesses are examples. Local organizations include the Western Ohio Development Council, the Community Investment Council, the Joint Vocational School, Edison Community College, the Consumer Credit Counseling Service, and United Way. Bank One and its officers work in concert with these groups in various ways to help educate people, repair their credit standing, and fund their borrowing needs.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion - Management has developed a comprehensive, formal ascertainment program to identify the credit needs of its delineated community. Bank One has responded to credit needs through a wide array of credit products designed to meet the varied credit needs of its market.

Supporting Detail - The framework for the bank's ascertainment program is outlined in the Banc One Corporate Policy Manual. The program involves:

- o Ascertainment and new business call programs;
- o A Community Advisory Council;
- o Various marketing and other information surveys; and,
- o Director and officer involvement in not-for-profit economic development organizations.

The board adopted a comprehensive Ascertainment Plan annually from 1992 through 1995. This plan augmented the bank's Marketing Plan and outlined the methodology to ascertain unmet credit needs. It was supplemented by periodic geographic analyses which help management to determine what, if any, neighborhoods might be underserved. Under the formal plan, senior officers, members of the Internal CRA Committee, including the CRA Officer, and branch managers, made targeted calls on a wide representation of community leaders. Directors participated in the calling program in 1994 and 1995. Contacts included local government officials, clergy, church groups, school officials, small business owners, including women and minorities, non-profit organizations, neighborhood associations, Realtors, and builders. Bank One commercial loan officers and the BOMC mortgage originator participated in formal ascertainment efforts and they continue to seek out unmet credit needs through ongoing calls on new and existing customers. The BOMC originator hosts periodic meetings with and calls regularly on the Realtors throughout the delineated community to market mortgage products and ascertain any unmet needs or concerns.

A Community Advisory Council (CAC) representing Bank One's entire market met quarterly from 1992 through 1995 to discuss a variety of CRA issues with bank management. Topics included any unmet credit needs and how bank's loan products might be expanded, modified, or

more effectively promoted. Membership consisted of a diverse group of local civic and business leaders representing Sidney and each community in which branches are located.

Surveys are distributed periodically to solicit feedback from the community and bank personnel.

Finally, directors, senior management and other officers are actively involved in a wide variety of community groups organized to promote the welfare of the delineated community. These include leadership positions in groups such as the Western Ohio Development Council, Community Development Council, Main Street Sidney LIFE Loan Committee, Jackson Center Community Improvement Corporation, Greater Jackson Center Growth Association, Brown Township Zoning Board, Russia City Council, and various local Chambers of Commerce.

As a result of the ascertainment efforts described above, two major credit needs and one ancillary need for educational assistance were identified by the bank.

- **Affordable financing for residential housing, particularly for first time home buyers with low- or moderate-incomes. This includes both construction financing and permanent financing for the purchase of single family housing.**

During the evaluation period, Bank One offered a variety of conventional and government-sponsored residential mortgage loan products directly or through BOMC. These include affordable loan products with flexible underwriting criteria. For details see Assessment Factor I.

- **Loans to small businesses which would foster job creation and promote economic development.**

Bank One offers a full range of commercial loan and small business products, including lines of credit and instalment loans. In addition, Bank One actively participates in government-guaranteed or subsidized loan programs for small business.

- **Bank One has also ascertained a need for consumer credit counseling or education, and technical assistance for prospective first time home buyers and entrepreneurs seeking to organize or expand a small business in the community.**

Bank One and BOMC make people available to provide technical expertise for these purposes in the form of workshops and seminars, one-on-one assistance, and continuing credit education programs at various local organizations and schools.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the CRA.

Conclusion - The Board of Directors and senior management have developed a comprehensive

CRA compliance program. They have effectively supervised the program's implementation and have made CRA an important component of the bank's planning process throughout the evaluation period.

Supporting Detail - The board and senior management closely supervise the bank's CRA-related activities and monitor CRA performance. Primary oversight of the bank's CRA program rests with the CRA/Compliance Committee. They receive regular presentations by the CRA officer. The full Board reviews all subjects discussed and actions taken by the CRA/Compliance Committee.

The CRA/Compliance Committee is composed of senior management. They meet quarterly to oversee CRA performance. Annual CRA self assessments are conducted in accordance with BOC policy using demographic analyses and are reviewed by the committee and the board. These analyses are also used to formulate marketing strategies.

As described in Assessment Factor A, the board had established a Community Advisory Council which met quarterly through 1995 and remains intact. This committee was very active during a large portion of the evaluation period. It reviewed implementation of the CRA program and helped management identify and address credit needs within the community.

Bank One CRA officers oversee the CRA process, provide training, ensure compliance with corporate CRA policy, and help to identify and address opportunities apparent in the demographic analyses of loan activity provided by the corporate CRA Department.

Bank One is in general compliance with the technical requirements of the CRA.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services it offers.

Conclusion - Management has adequately marketed the bank's credit products and special credit-related programs to the bank's community.

Supporting Detail - Bank One's marketing strategies and advertisements stimulate an awareness of its credit and financial products throughout the delineated community. Bank One uses both corporate and local advertising. BOOC is responsible for creation and distribution of all television advertising. Major network affiliate stations are used to promote credit and deposit products, and these stations reach a large diverse audience, including LMI persons. Sound sales tracking, reporting, and review programs measure advertising effectiveness.

Newspaper, radio, and direct mail account for a substantial portion of the advertising budget.

Bank One uses several radio stations and newspapers, including the Sidney Daily News, Penny Saver, and Versailles Policy, to penetrate the entire service area from both a geographic and a demographic perspective. Direct mail, inserts for local advertising publications, organizational newsletters, billboards, and brochures are used to target specific markets or communicate special promotions. Loan promotions have focused on retail credit products such as consumer, home equity, and mortgage loans. Statement stuffers are used to promote loan products with existing depositors. Bank One specifically targeted small business lending, affordable home loans, FHA/VA mortgages, home improvement loans, and unsecured consumer loans at various times during the review period. Advertisements are reviewed for statutory compliance prior to use.

Small farm lending is significant to the local economy and to Bank One. Loan officers specializing in agricultural lending regularly call on farmers to solicit their business. Calling efforts are supplemented by advertising directed to farmers in media of general circulation and in publications directed specifically to the agricultural community. These advertisements have promoted the use of farm loan programs sponsored by federal and state government.

In 1995, Bank One offered a “Homebuyers Club” series of eight workshops which involved meetings held over an eight-month period. This was done in cooperation with the Shelby County Ministerial Association and it involved the Consumer Credit Counseling Service. Twenty-two families enrolled in the program. It provided a process for persons having difficulty qualifying for mortgage loans to reestablish credit. It also helped them better understand the process of obtaining a loan, purchasing a home, and maintaining it. In the absence of LMI census tracts, Bank One used “door hangars” in high rental neighborhoods to promote the series. Bank One provided a “loan guarantee” to participants who successfully completed the program, assuring a mortgage would be made to them up to the amount for which they qualified.

Presentations on credit and financial services, such as “How to Do Your Banking,” were also made at many area high schools in 1994 and 1995. Other marketing methods include direct calling on auto dealers, Bank One on the Job, and commercial loan officer call programs.

Assessment Factor I - The institution’s origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business and small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion - Bank One has extended a significant volume of residential mortgage, home improvement and consumer loans, and is an active small business lender within its community. The bank has been proactive in responding to the ascertained credit needs of its community.

Supporting Detail - Bank One is an active provider of consumer, small business and small farm credit in the delineated community. However, management was unable to provide us with information concerning the numbers of loans made each year. In the absence of such information, the outstanding volume of loans made within the delineated community is used as a measure of the bank’s lending.

Bank One offers a full range of consumer and commercial loan products throughout its delineated community. The current CRA Statement correctly lists the various types of credit offered. These products are available throughout the delineated community.

Major credit groups are as follows:

- o Residential purchase money mortgages, through BOMC; multi-family loans, home improvement loans, home equity loans and equity reserve lines of credit;
- o Instalment loans, lines of credit, credit cards, and education loans;
- o Commercial term loans and lines of credit for businesses and consumer leasing for equipment and autos;
- o Government guaranteed loans, including FMHA, SBA, FHA/VA, local and county first time home buyer programs, and Ohio Linked and Agri-Linked Deposit Programs. See Assessment Factor J for more information.

During the review period, Bank One initiated a second review program for instalment credit to ensure consistent decisions, and to determine whether compensating factors and alternative underwriting criteria had been considered. Another step taken by management was to adjust its scorecard to make it easier for LMI individuals who still represented acceptable credit risks to qualify. They also modified the Equity Money Service product to make it more attractive to borrowers. The loan review process also evaluates whether an alternate source of financing is available to applicants who do not qualify for credit as requested. Under the newly implemented "Reclaim Program," Bank One offers denied consumer loan applicants the opportunity to have their application referred to Bank One Financial Services Corporation (BOFS), Bank One's finance company affiliate. No details were provided as to how many loans have been ultimately made by BOFS.

Bank One worked with BOMC to make FHA/VA loans available in its delineated community for individuals with limited funds for a down payment. Bank One also worked with BOMC to develop and refine its own affordable home mortgage to meet the needs of LMI customers. The affordable mortgage product evolved from the Bank One's Home Buyer Club. It provided for 95% financing and up to 2% of the remaining down payment could be a gift. The affordable mortgage product offered 15 to 30 year loans at fixed rates, no reserves, no Private Mortgage Insurance (PMI), and closing costs could be financed through local nonprofit organizations. The loans were not sold in the secondary market.

In 1996, Bank One replaced this affordable mortgage product with the "Bank One Affordable Dream Mortgage." The new product is available to any qualified applicant and is not restricted to LMI individuals.

The underwriting criteria for the new BOMC loan are set forth below:

Purpose: Purchase or refinance of owner-occupied property in any geography
 Loan-to-Value: Maximum of 97%
 Term: 15, 25, or 30 years with fixed interest rate
 Debt Ratios: 33 - 38% housing debt/36 - 40.5% total debt
 Credit: Non-traditional credit is acceptable
 Reserves: Up to two months may be required
 PMI required: PMI required when loan-to-value exceeds 80%

Management cannot provide the number of affordable home mortgages made during the evaluation period.

The following table indicates the number of purchase money mortgages and home improvement loans made by Bank One and BOMC within the delineated community during 1994 and 1995. Bank One did not track this information for prior years, nor is detailed Home Mortgage Disclosure Act (HMDA) data available because only a small part of the community is in an MSA. Management believes the modest decline in home improvement loans between 1994 and 1995 is due to the strong marketing campaign for home equity loans which was initiated in 1995 and continues today.

Originations of Purchase Money Mortgages and Home Improvement Loans

| Loan Type | 1994 | 1995 |
|--|----------|----------|
| Purchase Money Mortgages: Conventional | 136 | 155 |
| FHA/VA | <u>6</u> | <u>7</u> |
| Subtotal | 142 | 162 |
| Home Improvement Loans | 68 | 52 |
| Totals | 210 | 214 |

Source: BOOC

The following table shows the outstanding balances at year-end of the selected types of loans for the period from 1992 to 1995 and at mid-year 1996. A transaction that would affect these numbers was the sale of a \$13 million mortgage loan pool in 1995. It should also be noted that the numbers below for consumer loans include a significant number of loans made outside of the bank's community. A management analysis performed as of December 31, 1995 disclosed that 30% of the dollars outstanding were extended outside of the community.

Small business loans outstanding have shown the largest percentage increase over the period, but the total number of such loans decreased. There are a significant number of operating loans for small farms, which reflect the economic importance of agriculture to the community. Other information provided by management indicates that 192 or 80% of all small farm loans which were outstanding at year-end 1995 had originated from within the delineated community.

**Outstanding Loan Volume Balances
(In Thousands of Dollars)**

| Type of Loan | 1992 | 1993 | 1994 | 1995 | 6-30-96 |
|---|------------|-----------|------------------|------------------|------------------|
| Consumer Loans | \$ 80,801 | \$ 77,779 | \$ 72,492 | \$ 73,815 | \$ 71,528 |
| Real Estate Loans | 63,075 | 64,155 | 68,638 | 60,345 | 63,274 |
| Subtotal | \$143,876 | \$141,934 | \$141,130 | \$134,160 | \$134,802 |
| Small Business Loans # Dollars Outstanding Number Outstanding | N/A N/A | None | \$ 26,855 690 | \$ 29,146 610 | \$ 30,803 572 |
| Small Farm Loans # Dollars Outstanding Number Outstanding | N/A N/A | None | \$ 5,302 243 | \$ 5,227 240 | \$ 4,762 225 |

Source: Reports of Condition

N/A Not Available

Small business and small farm loan data are as of June 30.

Bank One defines small business loans as commercial credits less than \$1,000,000. Management is particularly pleased with its "Bank One Business Line of Credit" (BOBLOC), a unique loan product especially designed for small businesses. It can be conveniently accessed through checks or a credit card. A management analysis disclosed that 453 of the small business loans outstanding as of December 31, 1995 originated from within the delineated community. Of this total, 384 or 85% of the number of loans had original amounts less than \$100,000. A comparison of these numbers with the total outstanding small business loans set forth in the above schedule, suggests that Bank One makes the large majority of such loans to very small businesses within its delineated community.

Assessment Factor J - The institution's participation in government insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms.

Conclusion - Bank One has participated in several federal and state government-insured, guaranteed and subsidized loan programs for housing, small businesses, and small farms during the evaluation period.

Supporting Detail - Management has made good use of government lending programs to expand the availability of credit during the evaluation period. Government-sponsored lending programs are used to extend credit to borrowers not otherwise qualifying for bank loans or to reduce the cost of credit. Programs include state linked-deposit programs which provide lower cost funds to farmers or to companies which will create new jobs. Through BOMC the bank has made FHA/VA purchase money mortgages available. They are often used to finance homes in LMI neighborhoods. Bank One has participated in SBA loan programs in each of the past four years. Bank One was the only local bank to participate in the City of Sidney's and Shelby County's First Time Home Buyer Programs in 1994 and 1995. Under these programs government entities provided borrowers with down payment assistance. All of these programs target community credit needs such as affordable housing, small business loans, or farm loans.

Bank One's participation in government-supported loan programs within their delineated community is highlighted in the following table. Production numbers were not available for every type of loan or for each year. The dollar amount of the FHA/VA loans made by BOMC in 1994 and 1995 were also unavailable. The following schedule reflects the original amount of such loans for the year in which they were granted.

**Government-Sponsored Loan Programs
(Dollars in Thousands)**

| Government Program | 1993 | | 1994 | | 1995 | | YTD 1996 | |
|--------------------------------|-----------|----------------|-----------|-----------------|-----------|-----------------|----------|--------------|
| | # | \$ | # | \$ | # | \$ | # | \$ |
| SBA | 2 | \$ 173 | 3 | \$ 650 | 3 | \$ 131 | 1 | \$ 71 |
| Ohio Agri- and Linked Deposit | 9 | 836 | 20 | 1,155 | 6 | 632 | 8 | 632 |
| Farmers Home Administration | 1 | 8 | | | | | | |
| FHA/VA (Made by BOMC) | | | 6 | N/A | 7 | N/A | | |
| First Time Home Buyer Programs | | | | | 13# | 525# | | |
| Total | 12 | \$1,017 | 29 | \$1,805+ | 29 | \$1,288+ | 9 | \$703 |

Source: Data Provided by Bank One
Includes some credits extended in 1994

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Conclusion - The bank's community delineation is reasonable.

Supporting Detail - Bank One's community delineation meets the purpose of CRA and does not exclude any LMI neighborhoods. See Community Profile for a detailed description of the community. Bank One has delineated its community as all of Shelby County and contiguous portions of Auglaize, Darke, and Logan Counties, an area containing 15 census tracts. All tracts are middle- or upper-income, meaning that the median family income of all tracts falls between 80% and 120% or more than 120%, respectively, of the median family income for non-MSA census tracts in Ohio. For Auglaize County only, which is in the Lima MSA, the median family income for the MSA of \$31,109 is used as a benchmark. There are no LMI tracts.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion - The geographic distribution of the bank's credit extensions, credit applications, and denials within the delineated community is satisfactory.

Supporting Detail - Management generates a quarterly Consumer Portfolio Summary (CPS) which geographically tracks Bank One's market penetration of households for consumer loans and deposits. The CPS uses the outstanding balances of direct and indirect installment loans, bank cards, equity money service loans, lines of credit, mortgages, commercial loans for personal financing, and student loans made and still retained by Bank One or one of its affiliates. CPSs also include mortgages originated by BOMC, sold in the secondary market, but still serviced by BOMC.

The following table contains excerpts from the bank's year-end 1995 CPS. Dollar volume data represents loans in portfolio, not the number and dollar volume of loans produced in 1995. The table compares Bank One's consumer loan penetration of households throughout the entire delineated community to its household penetration in middle- and upper-income census tracts. In 1990, LMI households comprised 35% of all households in the middle-income tracts and 25% of those in the upper-income tracts. The table discloses that Bank One does a better job of penetrating the higher income census tracts within its community, but it reflects a satisfactory penetration of the entire community. The available data is insufficient to evaluate how well Bank One is serving LMI borrowers.

**Consumer Loan Penetration of Households by Income Level
Loans Outstanding as of December 31, 1995**

| Census Tract Income Level | Total Number of Households | Households Penetrated | |
|------------------------------|-------------------------------|-----------------------|------------|
| | | Number | Percentage |

| | | | |
|---------------|--------|--------|------|
| Middle | 12,803 | 2,979 | 23.3 |
| Upper | 10,978 | 3,555 | 32.4 |
| Entire Market | 23,781 | 6,534* | 27.5 |

Source: BOOC

* Excludes 39 in-market, untraced households

The year-end 1995 CPS shows that Bank One extended 70% of all consumer loan dollars outstanding to residents of its delineated community. A significant portion of the volume of lending outside its community is attributed to indirect loan arrangements with dealers which draw customers from a wider geography than that defined by the bank as its CRA community. This is mentioned because the bank does not receive CRA credit for loans made outside their delineated community.

The CPS is also used to identify areas of low consumer loan penetration. Low credit penetration is defined by Bank One as any census tract with a household penetration of less than one half of the overall penetration rate for the bank's delineated community. Bank One identified two tracts, one in Darke County and one in Logan County, as underserved in the year-end 1995 analysis. Both are middle-income census tracts in which the bank does not have an office. The census tracts are on the periphery of the bank's delineated community and there are competing banks in the adjacent counties which capture a significant share of the market there.

Bank One made a separate analysis for the three Auglaize County census tracts because they are in the Lima MSA. There is also very light loan penetration in the two middle-income tracts where Bank One has no office, for similar reasons as stated above. They are served by small community banks more conveniently located. Bank One's deposit share in these tracts is also relatively low. Bank One still manages to generate appreciable consumer loan business from every census tract in its market, and it is reasonable to expect that the level of penetration would decrease when the distance from its offices increases. Other information available for 1995 only, shows that Bank One received at least two, or more, mortgage or home improvement loan applications from each and every census tract in its delineated community.

In 1995 only, management prepared a geographic analysis by census tract of Bank One's small business loans which originated from within its community and had outstanding balances remaining as of year-end. Loans were separated by the size of the original amount into three categories: less than \$100,000, \$100,000 to \$250,000, and \$250,000 to \$1,000,000. The results are reflected in the table below. It shows that 40% of the number were generated from middle-income geographies. Additionally, 85% of the number of the loans were loans below \$100,000, which suggests that the majority of the credits were made to smaller businesses. Small business loans were outstanding in all but one census tract in the delineated community. That census tract is primarily residential.

**Small Business Loans Made in the Delineated Community
Balances Outstanding as of December 31, 1995**

| Income of Census Tract | Under \$100,000 | | \$100,000 - \$250,000 | | \$250,000 - \$1,000,000 | | Total | | % |
|------------------------|-----------------|----------|-----------------------|---------|-------------------------|---------|-------|----------|-----|
| | Nos. | Dollars | Nos. | Dollars | Nos. | Dollars | Nos. | Dollars | |
| Middle | 158 | \$ 5,220 | 20 | \$2,776 | 3 | \$1,129 | 181 | \$ 9,125 | 38 |
| Upper | 226 | \$ 4,954 | 33 | \$5,012 | 13 | \$5,032 | 272 | \$14,998 | 62 |
| Total | 384 | \$10,174 | 53 | \$7,788 | 16 | \$6,161 | 453 | \$24,123 | 100 |
| Percentage | 85% | 42% | 12% | 32% | 3% | 26% | 100 | 100% | 100 |

Source: BOOC

BOOC also provided data showing that Bank One had 192 outstanding agricultural loan commitments of less than \$500,000 on the books as of year-end 1995. These were distributed among all but one of the 15 census tracts. This tract lies within the heart of Sidney and is not agricultural. Geocoded farm loan information was unavailable for prior years.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion - Bank One provides reasonable access to banking services through six offices conveniently located to the more highly populated areas of its delineated community. Bank One has a good record of providing banking services through alternate delivery systems.

Supporting Detail - Bank One has six full-service banking offices in Shelby County. Three branches are located in Sidney, and there is one each in Jackson Center, Botkins, and Russia. A seventh office serves Minster in Auglaize County. Bank One's Personal Loan Center is located near the Main Office in downtown Sidney. Bank One also operates six deposit-taking ATMs which offer 24-hour access. The ATMs located in Russia and Botkins were installed during the evaluation period. These offices provide most residents of the delineated community with reasonable access to banking services. Other regional bank outlets and several small community banks offer ample banking options. Saturday banking and extended business hours became available at all offices during evaluation period in response to feedback received in the ascertainment process.

Bank One is also a proponent of alternate delivery systems for banking services. ATMs accept deposits and are linked to a variety of national networks. A number of banking services, including applying for credit, may be obtained through 24-hour toll-free telephone access.

“Loan by Phone” offers many types of consumer credit and “Home by Phone” offers mortgage products. “Bank One on the Job” is a package of services that are available to employees of participating local businesses. Bank One can be accessed through on-line computer banking and in-store terminals using debit and credit cards. Bank One lenders and BOMC loan originators will schedule appointments at times and locations to suit the convenience and needs of their customers.

Bank One has developed indirect loan relationships with many businesses dealing in a wide variety of products, including those used for home improvement. Indirect banking accounts for a significant volume of credit, which is conveniently delivered at points of sale throughout the community. Bank One and its affiliates are leaders in providing credit card services locally and through affinity relationships with national organizations.

Bank One offers six different types of checking accounts. Bank One’s low cost “Economy Checking” permits free check cashing of government checks, and its “Classic One” account features package services especially designed for senior citizens.

Bank One has not opened or closed any offices during the evaluation period. Bank One has a Branch Closing Policy which requires the notification of customers and discussion of proposed branch closings with neighborhood leaders to solicit their ideas and reduce the impact on the community of any office closings.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution’s CRA Statement(s).

Conclusion - No illegal discrimination was noted in the granting of credit.

Supporting Detail - Bank One affirmatively solicits credit applications from all segments of the community, including LMI areas. Loan policies and procedures provide a sound basis for avoiding illegal discrimination in lending. There are no policies, procedures, or underwriting standards that act as barriers to credit access.

Training in fair lending laws and principles is provided to all applicable employees. Fair Lending: Just Good Business and Valuing Diversity: The Best from Everyone are corporate training programs to promote fair lending and good business practices. Videos, handouts and tests provide the basis for this training.

Bank One uses a second review process for loan applications. These reviews are applied to mortgage loans subject to HMDA and consumer loans. The second review process helps to ensure that all applicants are treated fairly and consistently. The bank’s compliance monitoring program adequately reviews for compliance with the technical requirements of various lending

regulations.

Management of the mortgage company has not implemented a test for illegal discrimination in mortgage lending.

During a portion of the evaluation period, BOMC was operating with an “overage” compensation program. This program allows lenders who originate a loan with a rate above the company’s standard rate to retain a portion of the overage.

Although overage practices are not new to the lending industry, there is recognition that such programs have the potential for a disparate impact on applicants on a prohibited basis if not properly monitored. BOMC management recognized this potential problem and discontinued the program for all applications taken after March 15, 1994. However, management has not performed an analysis to determine if their program, while in effect, had a disparate impact on customers of the mortgage company. In March of 1995, the mortgage company reintroduced an overage program. Now, overages are limited to 1%, which significantly limits the size of any overage. Additionally, affordable mortgage lenders are prohibited from assessing overages. This past practice is highlighted because BOMC receives credit in this evaluation for loans made by the mortgage company. However, the mortgage company is not subject to regulation by the Office of the Comptroller of the Currency.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion - Bank One is in compliance with fair lending laws and regulations.

Supporting Detail - Our examination involved the review and confirmation of the bank’s Equal Credit Testing of home improvement lending in its Dayton Underwriting Center. This center processes home improvement applications for Bank One. Management tested for discrimination on the basis of race and used Home Mortgage Disclosure Act reported home improvement loans. The sample period was the first quarter of 1996. We agreed with management’s conclusion that there was no illegal discrimination in lending.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution’s participation, including investments, in local community development and redevelopment projects or programs.

Conclusion - Bank One has participated in several projects or programs within its community which have served to increase the stock of affordable housing and/or promote economic development, both of which are significant .

Supporting Detail - Bank One was involved in financing several low-income residential housing projects during the evaluation period. These involved construction and/or permanent loans made directly by Bank One and the purchase of low-income housing tax credits (LIHTCs) by Bank One Community Development Corporation (BOCDC).

Northside Commons, in Sidney, offers 28 one-bedroom and five two-bedroom units for the elderly and other low-income residents. Construction, financed by Bank One, commenced in 1992 and completed in Spring of 1993. BOCDC made a direct investment in LIHTCs of \$499,525 upon completion of construction.

The second project, Autumn Park Apartments, was also done in cooperation with the developer of Northside Commons. It is directly across the street and is considered Phase II of the initial venture. Autumn Park is another complex for the elderly and other low-income residents consisting of 20 one-bedroom and one two bedroom units in seven buildings. Bank One provided a \$950,000 construction loan and \$410,000 in permanent financing. BOCDC invested \$492,000 in LIHTCs the project upon completion of construction.

Assessment Factor K - The institution's ability to meet various credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion - There are no financial impediments which inhibit Bank One's ability to meet the credit needs of its delineated community.

The bank participates in CRA activities commensurate with its size and financial capacity. The Community Profile and Bank Profile in the front section of this evaluation provide further details about the characteristics of the community, the local economy, the bank, and the competition.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion - Bank One participates in other activities which contribute to meeting the credit needs of its community.

Supporting Detail - Bank One actively promotes student loans through its affiliate Banc One Ohio Student Loan Services. The bank marketing products in its lobby and makes calls at several local high schools and colleges. The affiliate does not track these loans by geographic location; therefore, specific loan volume for the local market is not available.

During the review period, Bank One contributed funds to a variety of organizations that address the civic and social needs of the community. Bank One directors, officers, and employees also serve in meaningful capacities to provide leadership and technical advice to organizations dedicated to economic and community development. The Main Street Sidney Program took

place between 1993 and 1995, and was designed to renovate Sidney's business district. Bank One's chief executive officer played a leadership role in organizing the project and Bank One contributed monies to fund its operation.