

# **PUBLIC DISCLOSURE**

May 4, 2009

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Croghan Colonial Bank  
RSSD# 362717

323 Croghan Street  
Fremont, OH 43420

Federal Reserve Bank of Cleveland

P.O. Box 6387  
Cleveland, OH 44101-1387

**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.

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## INSTITUTION'S CRA RATING

**This institution is rated "Satisfactory."**

**The Lending Test is rated: "Satisfactory."**

**The Community Development Test is rated: "Satisfactory."**

The major factors and criteria contributing to this rating include:

- A reasonable loan-to-deposit ratio, given the bank's size, financial condition, and assessment area credit needs;
- A substantial majority of loans and other lending-related activities are in the assessment area;
- The geographic distribution of loans reflects a reasonable distribution throughout the assessment areas;
- A reasonable penetration among individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes;
- There have been no complaints filed against the bank since the previous CRA evaluation; and,
- The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

The previous CRA evaluation on March 19, 2007 resulted in a "Satisfactory" rating.

## SCOPE OF EXAMINATION

The evaluation of The Croghan Colonial Bank's (Croghan) Community Reinvestment Act (CRA) performance covered the bank's level of lending for the period of January 1, 2007 to December 31, 2008. The bank's performance regarding community development lending, services, and investments was reviewed from March 19, 2007 to May 4, 2009. Under this examination method, the bank was evaluated by considering lending and community development activity throughout its assessment area.

The lending test includes the analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the bank's assessment area;
- The geographic distribution of loans in the assessment area, including low- and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including low- and moderate-income borrowers and businesses of different sizes, including small businesses ; and,
- The bank's record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment areas

The loan products reviewed for this evaluation included small business loans and mortgage loans. Businesses with gross annual revenues of \$1 million or less are classified as small businesses. Mortgage loans, which are subject to the Home Mortgage Disclosure Act (HMDA), were comprised of home purchase, refinance, and home improvement loans.

Croghan originated 438 small business and 347 HMDA loans. According to the bank's December 31, 2008 Uniform Bank Performance Report (UBPR), commercial loans represented 44.1% of loans, while mortgage loans constituted 42.3% of the portfolio. Small business loans received the most weight during this evaluation, as they were the highest by volume and by dollar amount, followed by HMDA loans.

For the purposes of evaluating the geographic distribution of loans, census tracts were classified on the basis of 2000 U.S. Census data. The distribution of loans to borrowers of different income levels was based upon annually adjusted median family income data made available by the U.S. Department of Housing and Urban Development (HUD). The most recent year for which median family income data is available is 2008. All other demographic indices and statistics presented throughout this evaluation are based on 2000 U.S. Census data unless otherwise noted.

Lending activity inside and outside the bank's assessment area was evaluated. In addition, lending inside the assessment area was evaluated based on the geographic and borrower income distribution for each assessment area.

The bank's geographic distribution with respect to small businesses loans was compared to the percentage of small businesses within each income category (low- moderate- middle- and upper-income). The bank's geographic distribution with respect to mortgage loans was compared to the percentage of owner-occupied housing units in each income category.

The bank's borrower distribution with respect to small business loans were assessed by comparing the percentage of loans made to businesses in each revenue category (less than or equal to \$1 million or greater than \$1 million) to the percentage of total businesses in each revenue category. Mortgage loans was assessed by comparing the percentage of loans made to borrowers in each income category (low-, moderate-, middle-, and upper-income) to the percentage of families in each income category.

The level of poverty is also taken into consideration in evaluating the bank's lending performance. Although poverty level is determined by income and family size, a larger proportion of poverty-level families were found in the low-income category and, to some extent, in the moderate-income category. It can be difficult for borrowers at the poverty level to qualify for loans because their income is limited. Within the bank's total assessment area, 4.9% of the families live below the poverty level.

A review of the bank's qualified community development loans, investments, and services March 19, 2007 to May 4, 2009 was conducted. Specifically, this portion of the evaluation included an analysis of the following factors:

- The number and dollar amount of community development loans;
- The number and dollar amount of community development investments;
- The extent to which the bank provides community development services; and,
- The bank's responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services.

This CRA evaluation included reviews of the bank's lending performance throughout its entire assessment area. Specifically, Croghan's lending performance in its nonmetropolitan statistical area and the Toledo, Ohio Metropolitan Statistical Area 45780 (Toledo MSA) was reviewed. Both of the assessment areas were reviewed using full scope procedures because there were enough loans to conduct a full analysis. The nonmetropolitan area received greater weight than the Toledo MSA because nine of the eleven offices are in the nonmetropolitan area and 76.2% of Croghan's loans were made in this area. Further, in the nonmetropolitan area, there were enough HMDA loans to evaluate the three categories separately; however, in the Toledo MSA, there were an insufficient number of loans in each category, so the HMDA loans were combined.

Croghan's assessment area consists of 66 census tracts. There is only one low-income and one-moderate income tract. Due to the lack of low- and moderate-income tracts, the bank's geographic distribution of lending received less weight than the bank's borrower distribution of lending in making overall conclusions regarding lending performance. Low- and moderate-income individuals can reside in any census tract and small businesses can also be located in any census tract. As such, the bank's level of lending to borrowers of different income levels and to businesses of different revenue sizes was given more consideration in this evaluation.

## DESCRIPTION OF INSTITUTION

Croghan is the sole subsidiary of Croghan Bancshares, Inc. Both the bank and the holding company are located at 323 Croghan Street in Fremont, Ohio. Croghan's assets as of December 31, 2008 were \$460 million. The bank's asset size is about the same as the prior evaluation; since December 31, 2006, assets increased by 0.4%.

Croghan is a full-service retail bank offering deposit accounts, consumer, real estate, commercial, and agricultural loans. In addition to standard consumer products offered, the bank offers the Fresh Start program. Under this program, customers can pay back overdrafts over six months or a year without interest. The bank also offers a full range of trust services and investment accounts.

The following chart illustrates the bank's loan portfolio as of December 31 for 2008, 2007, and 2006:

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	12/31/2008		12/31/2007		12/31/2006	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	9,952	2.9%	11,427	3.3%	13,467	3.8%
Secured by One- to Four- Family Dwellings	147,049	42.3%	146,664	42.1%	151,330	42.6%
Other Real Estate:						
Farmland	9,359	2.7%	10,431	3.0%	10,414	2.9%
Multifamily	7,959	2.3%	11,040	3.2%	9,213	2.6%
Nonfarm nonresidential	125,135	36.0%	114,271	32.8%	106,128	29.9%
Commercial and Industrial	28,318	8.1%	32,672	9.4%	37,480	10.6%
Loans to Individuals	17,413	5.0%	18,623	5.3%	23,880	6.7%
Agricultural Loans	2,843	0.8%	3,599	1.0%	3,082	0.9%
<b>Total</b>	<b>\$348,028</b>	<b>100.00%</b>	<b>\$348,727</b>	<b>100.00%</b>	<b>\$354,994</b>	<b>100.00%</b>

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

Croghan has eleven offices throughout the northwestern Ohio counties of Huron, Ottawa, Sandusky, and Wood. Eight of the offices have full service ATMs. The main office and another office in Fremont do not have ATMs. One branch has a cash-only ATM. Croghan also has three cash-only ATMs. One office with an ATM and a cash-only ATM are in upper-income tracts and the remaining facilities are in middle-income tracts.

The following table compares the percentage of offices by census tracts to the overall tract composition and the percentage of families living in these tracts.

Tract Income Level	Percentage of Tracts	Percentage of Families	Percentage of Offices
Low	1.5	0.0	0.0
Moderate	1.5	0.9	0.0
Middle	77.3	76.5	81.8
Upper	19.7	22.6	18.2

There are no offices in the low- and moderate-income tracts; however, there are limited opportunities for branching in these geographies. There are seven families in the low-income tract and less than 1.0% of the families in the assessment area live in the moderate-income tract. The majority of Croghan’s branch offices are located in the middle-income tracts, which slightly exceeds the percentage of middle-income tracts and the percentage of families living in these tracts.

Croghan continues to have two assessment areas. The nonmetropolitan assessment area consists of the entirety of Sandusky County and portions of Huron and Seneca Counties. One tract in southwestern Erie County is also included in this assessment area. Erie County makes up the Sandusky MSA. There are no offices in that tract and the geography borders Huron and Sandusky Counties. The Toledo MSA assessment area is comprised of the entirety Ottawa and Wood Counties. Three tracts in Henry County are also included in this assessment area. Henry County is not in the Toledo MSA. These tracts are included as part of this assessment area because there are no offices in this county. The Henry County tracts since border Wood County and they do not go substantially beyond the MSA. The assessment area contains 66 census tracts, consisting of the following:

- 1 low-income tract
- 1 moderate-income tract
- 51 middle-income tracts
- 13 upper-income tracts

Six middle-income tracts in Huron County have been included in the bank’s assessment area. All of these tracts have been designated as distressed areas because of unemployment levels. Middle-income distressed areas are those that have unemployment rates of at least one-and-one half times greater than the national average, poverty rates of 20.0% or more, population losses of 10.0% or more between decennial census years, or net migration losses of 5.0% or more over the five-year period prior to the most recent census. This information can be found on the Federal Financial Institution Examination Council’s (FFIEC) website.

There are no legal or financial constraints preventing Croghan from meeting the credit needs of its assessment area consistent with its asset size, business strategy, resources and local economy.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Lending Test

The bank is rated “Satisfactory” under the lending test.

### *Loan-to-Deposit Ratio*

A financial institution’s loan-to-deposit ratio compares the institution’s aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution’s lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters.

Croghan’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank has averaged 95.9% over the past eight quarters of operation and is above the peer group average ratio of 89.2%. The bank’s ratios were generally consistent throughout the evaluation period; however, the loan-to-deposit ratio began to increase during the last six months of 2008 due to a decline in deposits, while loans continued to grow. Factors contributing to the falling deposit levels were sweep activity from large customers and decreased deposit levels from the Fremont City Schools due to a different investment strategy.

The following table details Croghan’s quarterly loan-to-deposit ratios for eight quarters since the previous evaluation, along with the average loan-to-deposit ratio for the same period:

As of Date	Net Loans \$(000s)	Total Deposits \$(000s)	Bank Ratio	Peer Ratio
March 31, 2007	346,426	367,101	94.4%	86.6%
June 30, 2007	343,976	363,627	94.6%	87.9%
September 30, 2007	342,125	356,756	95.9%	88.6%
December 31, 2007	347,156	362,846	95.7%	89.5%
March 31, 2008	339,643	361,816	93.9%	89.5%
June 30, 2008	338,597	356,792	94.9%	91.0%
September 30, 2008	344,384	352,980	97.6%	91.1%
December 31, 2008	346,146	345,077	100.3%	89.3%
<b>Quarterly Loan-to-Deposit Ratio Since the Previous Evaluation</b>			<b>95.9%</b>	<b>89.2%</b>

### *Lending in the Assessment Area*

The following table reveals that 91.3% of loans by volume and 85.8% of loans by dollar amount were made inside the assessment area. Therefore, a substantial majority of loans were made in the assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$ (000s)	%	# of Loans	%	\$ (000s)	%
Home Purchase - Conventional	120	89.6	13,016	84.9	14	10.4	2,306	15.1
Refinancing	106	96.4	9,447	91.2	4	3.6	915	8.8
Home Improvement	96	93.2	3,713	94.4	7	6.8	222	5.6
<b>Total HMDA related</b>	<b>322</b>	<b>92.8</b>	<b>26,176</b>	<b>88.4</b>	<b>25</b>	<b>7.2</b>	<b>3,443</b>	<b>11.6</b>
Small Business	156	87.2	24,488	79.6	23	12.8	6,278	20.4
Small Bus. - Secured by Real Estate	239	92.3	16,629	92.0	20	7.7	1,440	8.0
<b>Total Small Bus. Related</b>	<b>395</b>	<b>90.2</b>	<b>41,117</b>	<b>84.2</b>	<b>43</b>	<b>9.8</b>	<b>7,718</b>	<b>15.8</b>
<b>Total Loans</b>	<b>717</b>	<b>91.3</b>	<b>67,293</b>	<b>85.8</b>	<b>68</b>	<b>8.7</b>	<b>11,161</b>	<b>14.2</b>

### *Geographic and Borrower Distribution*

The bank's overall geographic and borrower distribution is considered reasonable. As noted within this report, the bank's geographic and borrower distributions vary from excellent to poor throughout its assessment areas. These variations are largely due to the geographic compositions of the respective areas, varied opportunities for lending, and economic conditions unique to each area. Refer to each assessment area's performance ratings for further details regarding how these ratings were reached.

### *Response to Consumer Complaints*

There have been no CRA-rated complaints since the prior evaluation.

### **Community Development Test**

The bank is rated "Satisfactory" under the community development test.

For the evaluation period, Croghan participated in two community development loans totaling \$277,500. One loan was to construct a business park that will predominantly house small businesses while the other was used to purchase a building in a distressed middle-income tract, thereby promoting stabilization of the area. Investments totaled \$21,000, primarily in the form of donations supporting economic development. Croghan continues to hold a multifamily affordable housing bond with an unamortized balance of \$1.2 million. Lastly, Croghan provides various community development financial services to local organizations. Specific details of community development activities are discussed in the respective assessment area sections of this report.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices, inconsistent with helping meet the credit needs of the community, was identified during this evaluation. Further, Croghan has adopted fair lending policies and procedures that adequately enable the bank to identify, monitor, and control risks associated with CRA and the Equal Credit Opportunity Act.

## DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE OHIO NON-METROPOLITAN AREA

This assessment area is composed of the entirety of Sandusky County and portions of Huron, Seneca, and Erie Counties. It is composed of 26 census tracts, of which 21 are middle-income and five are upper-income. There are also six distressed middle-income tracts in this assessment area, all of which are located in Huron County.

Both the bank and the holding company maintain their headquarters in this assessment area and the bank has historically operated in this area. The greatest percentage of loans originated in this evaluation period was from this assessment area. The bank originated 76.2% of loans in the nonmetropolitan area and 81.8% of the offices are in this assessment area. As such, the bank's performance in this area received the most weight for this evaluation.

There is a significant amount of competition throughout this assessment area. As of June 30, 2008, the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits reported that there were 15 FDIC-insured financial institutions operating 49 offices within Huron and Sandusky Counties. Croghan is ranked first with 22.9% of the market share. Significant competitors in the area include National City Bank, with 8 offices and 15.5% of the market share and The Home Savings and Loan Company, with 6 offices and 13.6% of them market share.

A representative from a community foundation serving Erie and Sandusky Counties was contacted as part of this evaluation. This individual stated that the two counties have experienced an increase in homelessness, unemployment, and the need for food assistance. The economy has been greatly affected by losses in the automobile industry. The individual contacted feels that local financial institutions concentrate their efforts on a specific need such as affordable housing, small business development, or community services; but not all of them. That way, each specific need could be addressed more thoroughly.

### **Population**

According to data provided by the 2000 U.S. Census report, the total population living in this portion of the assessment area was 112,600. Of the total population, 26.9% are age 17 years and younger, 8.1% are age 18 to 24 years, 51.3% are age 25 to 64 years, and 13.6% are age 65 and over.

The Ohio Department of Development estimates that the population in the four counties in this assessment area declined 1.8% from 2000 to 2007, but expects population to grow by 2.1% from 2007 to 2010.<sup>1</sup>

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<sup>1</sup> Ohio Department of Development. Ohio County Profiles (retrieved for Erie, Huron, Sandusky, and Seneca Counties). <http://www.odod.state.oh.us/research/files/s0.htm>

## **Income Characteristics**

For purposes of evaluating the loan distribution to borrowers of different income levels, incomes were classified based upon annually adjusted median family income data made available by the Department of Housing and Urban Development (HUD).<sup>2</sup> The following table lists the 2008 adjusted median family income compared to the median family income from 2000:

<b>County Name</b>	<b>2008 Median Family Income</b>	<b>2000 Median Family Income</b>	<b>Percentage Change</b>
Erie	\$63,300	\$54,500	16.1
Huron	\$57,700	\$48,400	19.2
Sandusky	\$57,900	\$48,600	19.1
Seneca	\$56,000	\$44,200	26.7

As of the 2000 Census, 13.4% of families living in the assessment area were designated as low-income, 17.8% were designated as moderate-income, 24.1% were designated as middle-income, and 44.7% were designated as upper-income. According to 2000 U.S. Census data, 5.4% of families living in the assessment area live below the poverty level. The assessment area's percentage of families living below the poverty level was lower than the state of Ohio's at 7.8%.

## **Housing**

According to U.S. Census data, there were 45,240 housing units in the bank's assessment area. The majority of these units (70.9%) were owner-occupied, while 23.5% were rental units. Vacant units accounted for 5.6% for the assessment area's total housing units.

The percentage of one-to-four family housing units for the assessment area was 87.4% of all housing units. Multi-family properties accounted for 5.8% of units, mobile homes accounted for 6.7% of total housing units, and 0.1% of total housing units were designated as other units. Of the total housing units in the assessment area, 83.0% are located in middle-income tracts, with the remaining 17.0% located in upper-income tracts. As a result, the majority of Croghan's mortgage lending in this assessment area would be expected in middle-income geographies.

According to 2000 U.S. Census Data, the median age of the housing stock was 45 years and the median housing value was \$92,377. The median housing value in upper-income census tracts (\$109,228) had a disparity, with housing values in middle-income census tracts (\$89,626). According to Sperling's Best Places,<sup>3</sup> as of 2009, the median home cost in the Fremont, Ohio area was \$89,060 and home appreciation fell by 5.2% in the last year.

According to the census data, upper-income tracts had the newest housing, with the average age being 38 years, whereas middle-income tracts had an average age of 46 years. Since the median age of the housing stock is 45 years, it would be expected that the bank would make more home-improvement type loans.

## **Labor, Employment, and Economic Characteristics**

<sup>2</sup> U.S. Department of Housing and Urban Development, Office of Policy Development and Research. Income Limits. <http://www.huduser.org/datasets/il.html>

<sup>3</sup> [www.bestplaces.net](http://www.bestplaces.net)

Erie County's major industries include leisure and hospitality with an annual wage of \$16,608; manufacturing with an average wage of \$59,852; and trade, transportation, and utilities with an annual wage of \$28,080. Therefore, 66.6% of the county's major business sectors pay less than \$30,000 per year. The major employers in the county are Ford Motor Co/ACH, Freudenberg NOK, International Automotive Components, Meijer Inc., and Cedar Point.<sup>4</sup>

The unemployment rate for Erie County as of March 2009 was 12.3%. The county's unemployment rate was above the U.S. unadjusted unemployment rate of 9.0% and the state of Ohio's unadjusted rate of 10.1%.<sup>5</sup> According to a March 2009 article published in the *Sandusky Register*, January's unemployment rate was the highest it had been since March 1983. A county commissioner quoted in the article indicated that the unemployment figures were likely affected by the seasonal lull in the tourism industry. Another major factor cited in the article was mass lay-offs at Erie County automobile plants.<sup>6</sup>

Huron County's three major industries are leisure and hospitality with an annual wage of \$10,192; construction an average wage of \$45,812; and trade, transportation, and utilities with an annual wage of \$28,080. Therefore, 66.6% of the county's major business sectors pay less than \$30,000 per year, which could impact Croghan's ability to make certain types of loans. The major employers in the county are Campbell Soup Co./Pepperidge Farm, Commercial Vehicle Group/Mayflower, and Fisher-Titus Medical Center.<sup>7</sup>

The unemployment rate for Huron County as of March 30 was 17.5%, which was the highest in the state.<sup>8</sup> In a January 2009 article in the *Sandusky Register*, writer Cory Frolick discussed unemployment levels in Huron County. The January 2009 unemployment levels reached 12-year highs. A spokesperson for the Ohio Department of Job and Family Services stated that Huron County has consistently had high unemployment rates. The spokesperson cited turmoil in the automobile industry and the seasonal nature of the county's agricultural industry as factors.<sup>9</sup>

Seneca County's three major industries are trade, transportation, and utilities with an average annual salary of \$28,080; education and health with an annual salary of \$26,052; and goods production with a salary of \$39,260. The major employers in the county are American Standard, Heidelberg College, Mercy Hospital of Tiffin, and National Machinery LLC.<sup>10</sup>

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<sup>4</sup> Ohio County Profiles

<sup>5</sup> Ohio Department of Job and Family Services. Civilian Labor Force Estimates for March 2009. <http://lmi.state.oh.us/laus/ColorRateMap.pdf>

<sup>6</sup> Jackson, Tom. "Huron County Unemployment Highest in Ohio" *Sandusky Register*, March 4, 2009. [http://www.foxtoledo.com/dpp/news/WUPW\\_Huron\\_unemployment\\_highest\\_in\\_state\\_030409](http://www.foxtoledo.com/dpp/news/WUPW_Huron_unemployment_highest_in_state_030409)

<sup>7</sup> Ohio County Profiles

<sup>8</sup> Civilian Labor Force Estimates for March 2009

<sup>9</sup> Frolick, Cory. "Huron County Unemployment Rate Rises to Highest in State" *Sandusky Register*, January 28, 2009. <http://www.sanduskyregister.com/articles/2009/01/28/front/1114406.prt><http://www.sanduskyregister.com/articles/2009/01/28/front/1114406.prt>

<sup>10</sup> Ohio County Profiles

The unemployment rate for Seneca County was 12.6%, which is above the Ohio unemployment rate and the U.S. unemployment rate.<sup>11</sup> According to an article by Kevin Riser in the *Advertiser-Tribune*,<sup>12</sup> the last time Seneca County experienced unemployment of at least 10.0% was January 1993. In Seneca County, the unemployment numbers have been impacted by job cuts at Atlas, Honeywell, and Fostoria Industries.

According to the Ohio Department of Development, Sandusky County's three major industries are trade, transportation, and utilities with an annual salary of \$25,220; goods producing with a salary of \$39,260; and professional and business services with a salary of \$25,428. The major employers in the county are HJ Heinz, Atlas Industries, Whirlpool, and Bellevue Hospital.<sup>13</sup> The unemployment rate for Sandusky County was 12.6%, according to the Ohio Department of Job and Family Services. This unemployment rate is above both the State of Ohio's as well as the United States unemployment rate.<sup>14</sup>

The following demographic table illustrates this assessment area.

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<sup>11</sup> Civilian Labor Force Estimates for March 2009

<sup>12</sup> Risner, Kevin. "Seneca County Unemployment Past 12 Percent" *Advertiser-Tribune*, March 4, 2009

<sup>13</sup> Ohio County Profiles

<sup>14</sup> Civilian Labor Force Estimates for March 2009

### Combined Demographics Report

Croghan Colonial Bank

Assessment Area(s): Non MSA OH

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,161	13.4
Moderate-income	0	0.0	0	0.0	0	0.0	5,500	17.8
Middle-income	21	80.8	25,272	81.6	1,492	5.9	7,455	24.1
Upper-income	5	19.2	5,699	18.4	184	3.2	13,855	44.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>26</b>	<b>100.0</b>	<b>30,971</b>	<b>100.0</b>	<b>1,676</b>	<b>5.4</b>	<b>30,971</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	37,547	25,834	80.6	68.8	9,674	25.8	2,039	5.4
Upper-income	7,693	6,236	19.4	81.1	958	12.5	499	6.5
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>45,240</b>	<b>32,070</b>	<b>100.0</b>	<b>70.9</b>	<b>10,632</b>	<b>23.5</b>	<b>2,538</b>	<b>5.6</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	3,306	84.1	2,919	83.8	275	87.6	112	83.0
Upper-income	625	15.9	563	16.2	39	12.4	23	17.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>3,931</b>	<b>100.0</b>	<b>3,482</b>	<b>100.0</b>	<b>314</b>	<b>100.0</b>	<b>135</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.6</b>		<b>8.0</b>		<b>3.4</b>
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	372	65.0	368	64.8	4	100.0	0	0.0
Upper-income	200	35.0	200	35.2	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>572</b>	<b>100.0</b>	<b>568</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>99.3</b>		<b>0.7</b>		<b>0.0</b>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### **Lending Test**

The assessment area's lending test is considered reasonable. Overall, the bank's lending performance was comparable to the proxies used to establish possible demand for both geographic and borrower distribution. In cases where the lending performance was lower than the proxies, there were economic factors that accounted for the disparity.

### ***Geographic Distribution***

The geographic distribution of loans reflects a reasonable dispersion of loans throughout the assessment area. The bank's lending patterns in the tracts is similar to the proxies used to establish demand. Further, Croghan made loans in all of the census tracts in this assessment area.

In Huron County, Croghan included 7 out of 13 census tracts in its assessment area. These tracts are comprised of six distressed middle-income and one upper-income tracts. Croghan made 146 loans in the six distressed middle-income tracts and 14 loans in the upper-income tract. The percentage of lending in the distressed middle-income tracts (84.7%) compares favorably to the percentage of families (84.7%) and owner-occupied units (83.7%). Therefore, Croghan's lending performance in distressed middle-income tracts is excellent.

### ***Small Business Loans***

Croghan made 84.5% of its small loans to businesses in the middle-income tracts which exceeded the percentage of businesses in these geographies at 84.1%. The bank originated 15.5% of its small loans to business in the upper-income tracts compared to the percentage of these tracts in the assessment area at 15.9%. Thus, the geographic distribution for loans to small businesses is good.

### ***Home Purchase Loans***

The bank made 86.0% of its purchase loans in middle-income tracts, which was higher than the percentage of owner-occupied units in these tracts at 80.6%. Croghan originated 14.0% of its home purchase loans in upper-income tracts compared to the percentage of owner-occupied units in these tracts at 19.4%. Croghan's offices are in the eastern part of Sandusky County, while the upper-income tracts are in the western portion of the county. It is expected that lending activity disperses as the distance from offices increases. Therefore, the geographic distribution of home purchase loans is good.

### Refinance Loans

The bank made 88.4% of its refinance loans in middle-income tracts compared to the percentage of owner-occupied units in these tracts at 80.6%. Croghan made 11.6% of its refinance loans in upper-income tracts compared to the percentage of owner-occupied units in these tracts at 19.4%. Similar differences exist for refinance loans as they did for home purchase loans and the compensating factors remain the same. Thus, the geographic distribution of refinance loans is good.

### Home Improvement Loans

Croghan made 81.6% of its home improvement loans in middle-income tracts, which was about the same percentage of owner-occupied units in these geographies at 80.6%. Lending in upper-income tracts is also comparable to the percentage of owner-occupied units in these tracts, as 18.4% of home improvement loans were made in upper-income tracts compared to the owner-occupancy rate of 19.4%. Thus, the geographic distribution of home improvement loans is good.

### Borrower Distribution

The bank's level of lending in this area reflects a reasonable distribution of lending to businesses of different revenues sizes and to borrowers of different incomes categories. The distribution for small businesses is excellent and adequate for HMDA loans.

The following tables represent borrower distribution in this assessment area.

Borrower Distribution of Small Loans to Businesses Assessment Area/Group: Non MSA OH							
	Total Loans		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total	% of Businesses	% of Bank Loans	\$100,000 or Less	>\$100,001 to \$250,000	>\$250,001 to \$1,000,000
Small Business	124	39.6	88.6	99.2	54.0	26.6	19.4
Small Bus Secured by RE	218	60.4	88.6	100.0	86.7	9.2	4.1

Borrower Distribution of HMDA Loans Assessment Area/Group: Non MSA OH										
	Total HMDA Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	93	36.5	13.4	2.2	17.8	21.5	24.1	25.8	44.7	48.4
Refinance	86	33.7	13.4	5.8	17.8	8.1	24.1	27.9	44.7	55.8
Home Improvement	76	29.8	13.4	7.9	17.8	15.8	24.1	32.9	44.7	36.8

### *Small Business Loans*

Croghan made 99.7% of its small business loans to companies with revenues of \$1 million or less. This is excellent performance given that 88.6% of businesses in the assessment area are considered small companies.

Further analysis shows that 74.6% of the bank's small business loans were extended in an amount of \$100,000 or less. Since smaller size loans are generally commensurate with the borrowing needs of smaller businesses, Croghan's lending activity demonstrates that the bank is meeting the credit needs of such businesses.

### *Home Purchase Loans*

Croghan made 2.2% of its home purchase loans to low-income borrowers. This percentage was much lower than the percentage of low-income families in the assessment area at 13.4%. Even considering the high unemployment rates and poverty levels, home purchase lending to low-income borrowers is considered poor.

The bank made 21.5% of its home purchase loans to moderate-income borrowers. This level of lending is excellent given that the percentage of moderate-income families in the assessment area is 17.8%.

Croghan made 25.8% and 48.4% to middle- and upper-income borrowers, respectively, compared to the percentage of middle- and upper-income families at 24.1% and 44.7%. The borrower's income was unknown for 2.2% of loans originated in the non-metropolitan area.

### *Refinance Loans*

The bank made 5.8% of its refinance loans to low-income borrowers. This percentage was also lower than the percentage of low-income families in the area (13.4%); however, with the economic conditions Croghan's refinance lending to low-income borrowers is considered adequate.

Croghan originated 8.1% of its refinance loans to moderate-income borrowers, which is significantly lower than the percentage of moderate-income families in the assessment area at 17.8%. Given the current economic environment, Croghan's lending to moderate-income borrowers is adequate.

Croghan made 27.9% and 55.8% of its refinance loans to middle- and upper-income borrowers compared to the percentage of middle- and upper-income families at 24.1% and 44.7%. The borrower's income was unknown for 2.3% of loans originated in this assessment area.

### *Home Improvement Loans*

Croghan made 7.9% of its home improvement loans to low-income borrowers. The bank's lending to low-income borrowers is considered adequate given that 13.4% of the families in the assessment are low-income.

The bank made 15.8% of its home improvement loans to moderate-income borrowers, which is considered good compared to the percentage of moderate-income families in the non-metropolitan area at 17.8%.

The bank originated 32.9% and 36.8% of its home improvement loans to middle- and upper-income borrowers, respectively, compared to the percentage of middle- and upper-income families at 24.1% and 44.7%.

### **Community Development Test**

Based on the Croghan's available resources and the needs of its community, the bank has demonstrated an adequate responsiveness to the community development needs of this area. Community development activities, specifically community development services, were conducted throughout the assessment area and not just concentrated around the Fremont area. A number of services and the one community development loan were made in Huron County, which contains a number of distressed middle-income tracts. This illustrates Croghan's responsiveness in serving an economically depressed area. Therefore, Croghan's community development performance for the period under review adequately addresses needs within this area.

### *Community Development Loans*

Croghan originated one qualified community development loans in this assessment area during the evaluation period. The loan, in the amount of \$127,500, was made to an area development corporation to purchase a building in Bellevue, Ohio. The building is in a distressed middle-income tract. The proceeds of the loan were used to ensure that the building would not be vacant, therefore helping to stabilize the community.

### *Qualified Investments*

Croghan made four investments totaling \$21,000 in this nonmetropolitan assessment area during this evaluation period. All four investments supported economic development initiatives.

### *Community Development Services*

Croghan employees performed several qualified community development services throughout the evaluation period. Financial services were provided to the following institutions:

- American Red Cross – Firelands Chapter – An employee of the trust department is the financial development chair of this organization. The majority of the individuals served have low- or moderate-incomes.

- Bellevue Development Corporation – This organization promotes economic development in the Bellevue area. An employee of the Bellevue office is a member of the revolving loan committee.
- Firelands Positive People – A trust department employee is a member of the organization's scholarship committee. This committee awards scholarships to students who cannot afford their education's costs. All individuals served are low- or moderate-income.
- Habitat for Humanity – Firelands – An employee of the Bellevue office is a board member and treasurer for this organization.
- Habitat for Humanity – Sandusky County – Two bank employees are involved in Sandusky County chapter of this organization. An employee from the bank's operations department is treasurer while an employee of the facilities department is on the family selection committee.
- Kiwanis Club – Fremont – A trust department employee is president of this organization. A majority of the individuals served are low- and moderate-income.
- Sandusky County Council for Person with Mental Retardation – The senior lender is on the finance committee. A majority of persons served are low- or moderate-income.
- Sandusky County Economic Development – A lender is a member of this organization's finance board and marketing committee. This agency promotes economic development in Sandusky County.
- Sandusky County Extension Office – A facilities department employee has assisted low- and moderate-income individuals with budgeting.

## **DESCRIPTION OF TOLEDO, OHIO METROPOLITAN STATISTICAL AREA 45780**

Croghan has designated its assessment area as the entirety of Wood and Ottawa Counties as part of its assessment area. The bank has also included three census tracts in Henry County in its assessment area. Henry County is not part of the Toledo MSA; however, it has been included in this assessment area since there are no offices in the county, it borders Wood County to the west, and does not go substantially beyond the MSA. This assessment area is composed of 40 census tracts, of which one is considered low-income, one moderate-income, 30 middle-income, and eight are designated as upper-income. In addition, 18.1% of the bank's branches are located in this assessment area. Of the two branches located in this area, both are located in middle-income tracts.

There is a significant amount of competition within the assessment area. As of June 30, 2008, the FDIC's Summary of Deposits reported that there are 20 FDIC-insured financial institutions operating 67 offices within this portion of the bank's assessment area. According to this report, Croghan Colonial Bank is ranked 12<sup>th</sup> with 1.5% of the market share. Huntington National Bank ranked first with 45.4% of the market share of deposits with 16 offices. Fifth Third Bank ranked second with 11.0% of the market share and seven offices and KeyBank National Association ranked third with 8.5% of the market share and four offices.<sup>15</sup>

A representative from a community development foundation serving Wood County was conducted in conjunction with this evaluation. Similar to the contact in the nonmetropolitan area, this individual pointed out that unemployment is rising because of the automobile industry. The higher unemployment has increased the need for services. The foundation is trying to increase economic development for area for train traffic and the agency would like assistance to establish Fostoria as a hub for trains. The contact indicates that community banks continue to maintain support for the foundation; however, the larger regional banks have pulled their support because of the economic conditions.

### **Population**

According to the 2000 U.S. Census report, the total population living in Croghan's assessment area was 173,972. Of the total population, 23.9% were age 17 years and younger, 14.1% were age 18 to 24 years, 49.6% were age 25 to 64 years, and 12.4% were age 65 and over.

The Ohio Department of Development estimates that the population in the three counties increased 2.2% from 2000 to 2007 and would continue to grow by 1.0% from 2007 to 2010.<sup>16</sup>

### **Income Characteristics**

The following table lists the 2009 adjusted median family income compared to the median family income from 2000:<sup>17</sup>

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<sup>15</sup> Summary of Deposits

<sup>16</sup> Ohio County Profiles

<sup>17</sup> HUD Income Limits

County Name	2009 Median Family Income	2000 Median Family Income	Percentage Change
Henry	\$60,800	\$52,700	15.4
Ottawa	\$61,800	\$50,300	22.9
Wood	\$61,800	\$56,468	9.4

Based on the 2000 Census, 13.9% of the families were designated as low-income, 16.9% were designated as moderate-income, 24.9% were designated as middle-income, and 44.4% were designated as upper-income. According to the Census data, 4.5% of families in the assessment area live below the poverty level. The assessment area's percentage of families living below the poverty level is 4.5% compared to the state of Ohio's poverty level at 7.8%.

### **Housing**

According to 2000 U.S. Census data, there were 77,579 total housing units in the assessment area. The majority of these units (63.0%) were owner-occupied, 22.0% were rental units, and 15.0% were vacant units.

The percentage of one-to-four family housing units for the assessment area was 76.0% of all housing units. Multi-family properties accounted for 11.7%, mobile homes accounted for 12.2%, and 0.1% were classified as other units.

According to Census data, the median age of the housing stock for the assessment area was 33 years, with a median housing value of \$107,892. The median housing value in upper-income census tracts (\$146,394) had a disparity with housing values in the low- (\$160,714), moderate- (\$97,053) and middle-income census tracts (\$96,348). Housing values in the low- and moderate-income census tracts are skewed because of the limited amount of housing. Additionally, income levels do not reflect the dwelling owners; rather, they reflect the income levels of the student population for Bowling Green State University.

According to Sperling's Best Places,<sup>18</sup> as of 2009, the median home cost in Custar, Ohio was \$101,330 and home appreciation fell by 8.4% in the last year.

### **Labor, Employment and Economic Characteristics**

The three major industries in Henry County are trade, transportation, and utilities with an average annual salary of \$28,184; education and health services with an average annual salary of \$24,856; and manufacturing with an average annual salary of \$44,564. The major employers in Henry County are Campbell's Soup, Henry County Hospital, and Wal-Mart.<sup>19</sup>

The unemployment rate for Henry County as of March 2009 was 14.5% which is above unemployment rates for the U.S. at 9.0% and the state of Ohio's unemployment rate of 10.1%.<sup>20</sup> According to an article in the *Crescent-News*, unemployment rates in Defiance County and the surrounding five counties (including Henry County) were all above double digits. A representative from the Defiance County Department of Job and Family services stated that the economic situation in Northwest Ohio has not been like this since the 1980s.<sup>21</sup>

<sup>18</sup> www.bestplaces.net

<sup>19</sup> Ohio County Profiles

<sup>20</sup> Civilian Labor Force Estimates

<sup>21</sup> Orzolek, Jared. "Area Unemployment Figures Hit Double Digits" *Crescent-News*, March 4, 2009.

The three major industries in Ottawa County are trade, transportation, and utilities with an average annual salary of \$40,144; manufacturing with an average annual salary of \$47,216, and leisure and hospitality with an average annual salary of \$14,248. The major employers in Ottawa County are First Energy Corp., USG Corp., and Brush Wellmer Corp.<sup>22</sup>

The unemployment rate for Ottawa County in March 2009 was 16.3%, which was substantially above the state and nationwide unemployment rates.<sup>23</sup> According to an article in *The Toledo Blade*, unemployment filings in Ottawa County in January rose 114.0% from what they were in January 2008.<sup>24</sup>

The three major industries in Wood County are trade, transportation, and utilities with an average annual salary of \$30,784; manufacturing with an average annual salary of \$52,832; and leisure and hospitality with an average annual salary of \$10,400. The major employers in Wood County are Walgreens Co., Cooper Standard., and Chrysler LLC.<sup>25</sup>

The unemployment rate for Wood County for March 2009 was 11.0%, which was above the nationwide and state unemployment rates.<sup>26</sup> An article in *The Toledo Blade* stated that Wood County ranks among top ten counties with increases in poverty during the past decade. Much of this poverty is linked to the loss of well-paying manufacturing jobs.<sup>27</sup>

Selected demographics for this assessment area are contained on the following page.

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<sup>22</sup> Ohio County Profiles

<sup>23</sup> Civilian Labor Force Estimates

<sup>24</sup> Chavez, Jon. "Lucas County Leads State in First-Time Jobless Filings." *The Blade*, January 16, 2009. <http://www.toledoblade.com/apps/pbcs.dll/article?AID=/20090116/NEWS16/901160364>

<sup>25</sup> Ohio County Profiles

<sup>26</sup> Civilian labor Force Estimates

<sup>27</sup> Giammarise, Kate and Steve Eder. "State of Distress" The Mounting Toll of Ohio's Economic Woes." *The Toledo Blade*, October 20, 2008.

<http://www.toledoblade.com/apps/pbcs.dll/article?AID=/20081020/NEWS24/810200303>

### Combined Demographics Report

Croghan Colonial Bank

Assessment Area(s): MSA 45780

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	2.5	7	0.0	7	100.0	6,239	13.9
Moderate-income	1	2.5	670	1.5	104	15.5	7,583	16.9
Middle-income	30	75.0	32,849	73.0	1,585	4.8	11,216	24.9
Upper-income	8	20.0	11,470	25.5	327	2.9	19,958	44.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>40</b>	<b>100.0</b>	<b>44,996</b>	<b>100.0</b>	<b>2,023</b>	<b>4.5</b>	<b>44,996</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
		#	%	#	%	#	%	
Low-income	151	7	0.0	4.6	142	94.0	2	1.3
Moderate-income	2,723	513	1.0	18.8	2,111	77.5	99	3.6
Middle-income	58,017	36,261	74.2	62.5	11,054	19.1	10,702	18.4
Upper-income	16,688	12,104	24.8	72.5	3,754	22.5	830	5.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>77,579</b>	<b>48,885</b>	<b>100.0</b>	<b>63.0</b>	<b>17,061</b>	<b>22.0</b>	<b>11,633</b>	<b>15.0</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	
Low-income	46	0.7	39	0.7	6	1.2	1	0.4
Moderate-income	133	2.0	121	2.1	9	1.8	3	1.1
Middle-income	4,493	69.3	3,927	68.8	354	69.1	212	78.2
Upper-income	1,816	28.0	1,618	28.4	143	27.9	55	20.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>6,488</b>	<b>100.0</b>	<b>5,705</b>	<b>100.0</b>	<b>512</b>	<b>100.0</b>	<b>271</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>87.9</b>		<b>7.9</b>		<b>4.2</b>
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	600	91.5	594	91.4	6	100.0	0	0.0
Upper-income	56	8.5	56	8.6	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>656</b>	<b>100.0</b>	<b>650</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>99.1</b>		<b>0.9</b>		<b>0.0</b>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending Test

The assessment area's lending test is considered reasonable. The bank's performance in lending to borrowers of different income levels was comparable to the proxies used to establish demand. Lending was skewed toward the middle-income tracts; however, this was not unreasonable considering that there is little demand in the low- and moderate-income tracts and the upper-income tracts are quite a distance from the bank's two offices in this assessment.

There were insufficient loans to evaluate the three HMDA categories separately, so all HMDA loans were combined for the Toledo MSA.

### *Geographic Distribution*

The geographic distribution of loans reflects a reasonable dispersion of loans throughout the assessment area. Although Croghan's lending performance did not reflect the demographics of the area, the bank's operations in this area are limited to extreme eastern and western ends of the Toledo MSA. Croghan's lending in the Toledo MSA is clustered around the two offices in this assessment area.

Croghan did not make any loans in the low- and moderate-income tracts in this assessment area. Both of these tracts are in Wood County and within the city limits of Bowling Green. There are only 7 families and 151 housing units in the low-income tract, which represents an overall owner-occupancy rate of only 4.6%. Also, the overall owner-occupancy rate is only 18.8% in the moderate-income tract. Bowling Green University is located in these two tracts; therefore, there are limited opportunities to lend in these tracts. Croghan also did not lend in eight middle- and five upper-income tracts in Wood County. These tracts are predominantly located in the northern and eastern part of the county. Croghan's only office in the county is in the extreme southwestern portion of the county. The northern part of the county contains the suburbs of Toledo and the city of Bowling Green, which are much more suburban in nature, while the bank's office is in a rural part of the county. Further, the bank did not originate any loans in an upper-income tract in Ottawa County. This specific tract includes Put-in-Bay and other Lake Erie islands. Croghan only has an ATM on Put-in-Bay, so lending opportunities on the islands are more limited.

The following tables represent geographic distribution in this assessment area:

Geographic Distribution of Small Loans to Businesses Assessment Area/Group: MSA 45780										
	Total Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans
Small Business	32	61.5	0.7	0.0	2.0	0.0	69.3	96.9	28.0	3.1
Small Bus secured by RE	20	38.5	0.7	0.0	2.0	0.0	69.3	100.0	28.0	0.0

Geographic Distribution of HMDA Loans Assessment Area/Group: MSA 45780										
	Total HMDA Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans
Home Purchase	27	40.3	0.0	0.0	1.0	0.0	74.2	92.6	24.8	7.4
Refinance	20	29.9	0.0	0.0	1.0	0.0	74.2	95.0	24.8	5.0
Home Improvement	20	29.9	0.0	0.0	1.0	0.0	74.2	95.0	24.8	5.0

*Small Business Loans*

All but one small business loan (98.1%) was made in the middle-income tracts, which greatly exceeded the percentage of businesses in these geographies at 69.3%. This disparity between lending in the middle- and upper-income tracts and the bank’s lending in these areas can be explained by the location of Croghan’s two offices in this area.

*HMDA Loans*

Croghan made 94.0% of its HMDA loans in middle-income tracts compared to the percentage of middle-income geographies at 74.2%. The bank made 6.0% of its HMDA loans in upper-income tracts compared to the percentage of these tracts at 24.8%. The lending is skewed toward the middle-income tracts because the two offices are surrounded by middle income tracts, while the upper-income tracts are some distance away from the Custar and Port Clinton offices.

*Borrower Distribution*

The bank’s level of lending in this area reflects a reasonable distribution of lending to businesses of different revenues sizes and to borrowers of different income categories. The distribution for small businesses is excellent and adequate for HMDA loans.

The following tables represent geographic distribution in this assessment area:

Borrower Distribution of Small Loans to Businesses Assessment Area/Group: MSA 45780							
	Total Loans		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total	% of Businesses	% Bank Loans	\$100,000 or Less	>\$100,001 to \$250,000	>\$250,001 to \$1,000,000
Small Business	32	61.5	87.9	96.9	59.4	21.9	18.8
Small Bus secured by RE	20	38.5	87.9	100.0	50.0	35.0	15.0

Borrower Distribution of HMDA Loans Assessment Area/Group: MSA 45780										
	Total HMDA Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	27	40.3	13.9	7.4	16.9	18.5	24.9	14.8	44.4	51.9
Refinance	20	29.9	13.9	0.0	16.9	15.0	24.9	15.0	44.4	70.0
Home Improvement	20	29.9	13.9	5.0	16.9	40.0	24.9	15.0	44.4	40.0

### *Small Business Loans*

All but one small business loan (98.1%) was made to companies with revenues of \$1 million or less. This is considered excellent given that 87.9% of businesses fell into this revenue category in this assessment area.

Further analysis shows that 55.8% of the bank's small business loans were extended in an amount of \$100,000 or less. Since smaller size loans are generally commensurate with the borrowing needs of smaller businesses, Croghan's lending activity demonstrates that the bank is meeting the credit needs of such businesses.

### *HMDA Loans*

Croghan made 4.5% of its HMDA loans to low-income borrowers, which was significantly below the percentage of low-income families at 13.9%. Even with the unemployment rates and economic conditions, the bank's HMDA lending to low-income borrowers is considered poor.

The bank made 23.9% of its HMDA loans to moderate-income borrowers, which exceeded the percentage of moderate-income families at 16.9%. Thus, HMDA lending to moderate-income borrowers is excellent.

Croghan originated 14.9% and 53.7% of its loans in middle- and upper-income tracts, respectively, compared to the percentage of middle- and upper-income families at 24.9% and 44.4%. Income information was not available for 3.0% of the loans made in the Toledo MSA.

### **Community Development Test**

Based on the Croghan's available resources and the needs of its community, the bank has demonstrated an adequate responsiveness to the community development needs of this area. Croghan's community development performance for the period under review adequately addresses needs within this area.

### *Community Development Loans*

Croghan participated in a loan with several other Ottawa County banking institutions to construct an industrial park to house small businesses. Croghan's share in the participation loan was \$150,000.

### *Qualified Investments*

The unamortized balance of a multifamily affordable housing bond serving Ottawa County was \$1.2 million as of May 4, 2009.

### *Community Development Services*

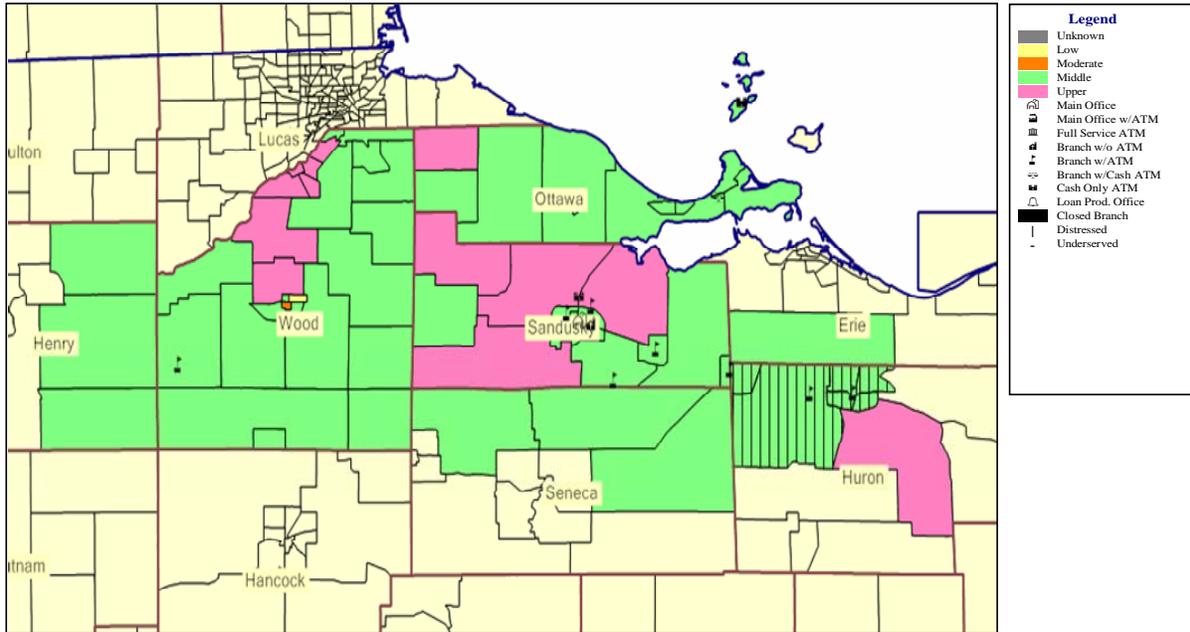
Community development services were provided to two organizations during the evaluation period:

- Ottawa County Save our Homes – An employee of the Port Clinton office is a member of the foreclosure prevention team. A majority of individuals served are LMI.
- Wood County Economic Development Commission – An employee of the Custar office is a board member. This organization promotes economic development in Wood County.

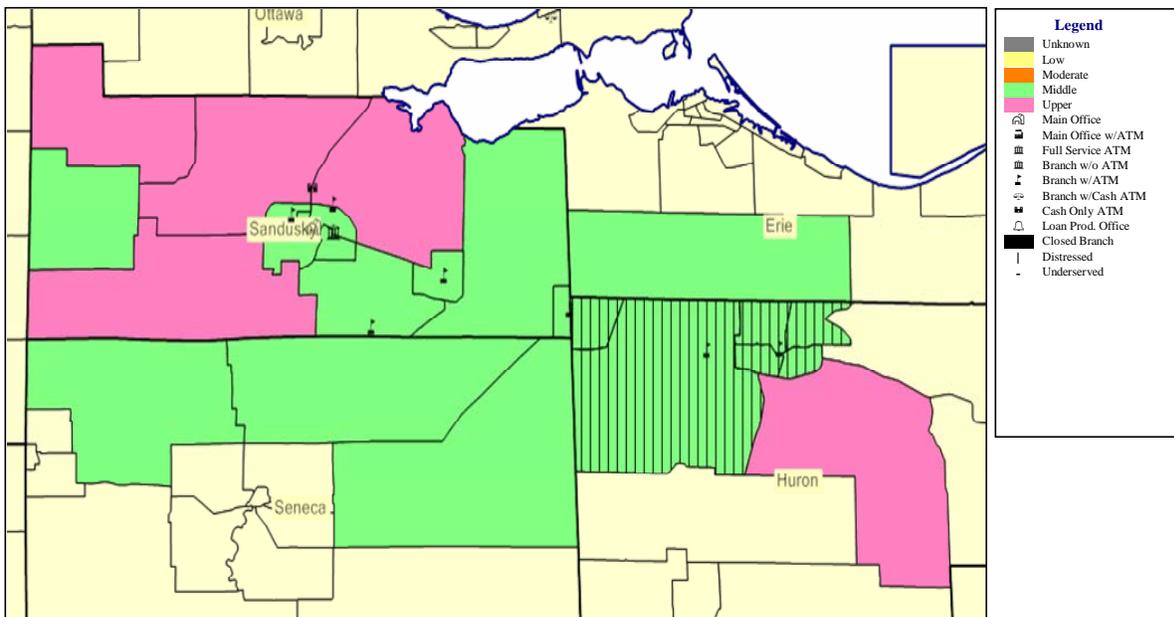
## APPENDIX A

### ASSESSMENT AREA MAPS

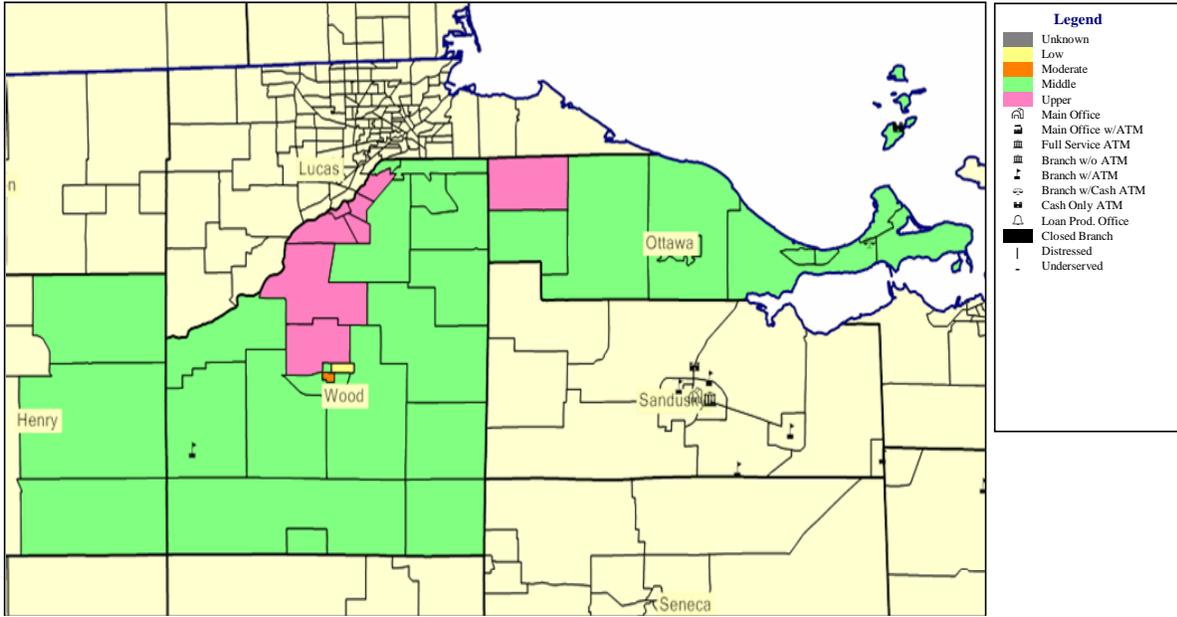
Croghan Colonial Bank  
Assessment Area: Overall



Croghan Colonial Bank  
Assessment Area: Non MSA OH



Croghan Colonial Bank  
Assessment Area: MSA 45780



## APPENDIX B

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family

or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120

percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.