

# **PUBLIC DISCLOSURE**

June 1, 2010

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The St. Henry Bank  
RSSD #568126

231 East Main Street  
Saint Henry, OH 45883

Federal Reserve Bank of Cleveland

P.O. Box 6387  
Cleveland, Ohio 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 major factors and criteria contributing to this rating include:

- The loan-to-deposit ratio is reasonable (considering seasonable variations and lending-related activities) given the institution's size, financial condition, and assessment area credit needs;
- A majority of loans and other lending-related activities are made in the assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area;
- The distribution of loans to borrowers reflects an excellent penetration among individuals of different income levels (including low- and moderate-income);
- There is an excellent penetration of lending to businesses of different revenue sizes (including small businesses);
- A reasonable distribution of lending to farms of different revenue sizes (including small farms); and,
- There have been no complaints filed against the bank since the previous CRA examination.

The previous CRA examination as of May 22, 2006 resulted in a "Satisfactory" performance rating.

## SCOPE OF EXAMINATION

The CRA public evaluation is based on the St. Henry Bank's (St. Henry) level of lending within its assessment area, including the distribution to borrowers of different income levels (particularly to low- and moderate-income borrowers) and to businesses and farms of different revenue sizes. This evaluation is based on loans the bank originated between January 1, 2009 and December 31, 2009. St. Henry's performance was evaluated using the Interagency Small Bank Examination Procedures. Under this evaluation method, the bank is evaluated by considering its lending activity throughout its assessment area. The lending test includes an analysis of the following:

- 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 bank's 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 to businesses and farms of different revenue sizes, including small businesses and small farms; 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 area.

The lending products reviewed for this evaluation included mortgage loans, consumer loans, business loans, and farm loans. Consumer loans accounted for 39.0% of the bank's total originations during this period, mortgage loans accounted for 33.0%, and small business loans accounted for 14.0% of total loan volume for loans originated during this review period. Although consumer loans account for the largest percentage of originated loans, mortgage loans represented over \$18 million dollars in lending compared to just over \$3 million for consumer loans; therefore, mortgage loans received the greatest weight in this analysis, followed by consumer loans. The bank's levels of business and farm lending generally aligned based on volume and dollar amount and business and farm lending were treated similarly, receiving the least amount of weight during this evaluation.

Mortgage loans are comprised of residential home purchase and home refinance loans. Consumer loans were evaluated in two categories, motor vehicle loans and other consumer loans. Other consumer loans are comprised of personal loans, home equity loans, other secured loans and unsecured loans. Business and farm loans include both real estate and non-real estate secured loans.

The geographic distribution of loans among various-income census tracts within the bank's assessment area was evaluated using data from the 2000 United States Census Bureau report. Specifically, St. Henry's geographic distribution of mortgage loans was assessed by comparing the percentage of loans made within the bank's census tracts to the percentage of owner-occupied housing units within the assessment area's census tracts.

The geographic distribution of consumer lending was assessed by comparing the percentage of loans made within the assessment area's census tracts to the total percentage of households by income within the bank's census tracts.

The geographic distribution of business and farm lending was evaluated by comparing the bank's percentage of lending throughout the various-income census tracts to the percentage of businesses and farms located in those tracts.

St. Henry's distribution of lending to borrowers of different income levels (low-, moderate-, middle-, and upper) was based on the 2009 adjusted median family income statistics made available by the United States Department of Housing and Urban Development (HUD).

For mortgage lending, the borrower-income distribution was determined by comparing the percentage of mortgage loans for each income category to the percentage of families in that income level within the assessment area. In addition, foreclosure rates, owner-occupancy rates, the home affordability index, and the percentage of families living below the poverty level were considered.

The bank's borrower-income distribution with respect to consumer loans was assessed by comparing the percentage of loans made to consumers in each income category to the percentage of households for that income category.

The bank's borrower distribution with respect to business and farm loans was 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. Lending to businesses with revenues of \$1 million or less was weighted the most heavily in the analysis.

In St. Henry's assessment area, 3.57% of families live below the poverty level. Although, poverty level is determined by income and family size, a larger portion of consumers at poverty levels are in the low-income category, and, to some extent moderate-income category. It can be difficult for borrowers at the poverty level to qualify for loans due to limited income. Although the percentage of families living below the poverty level in this assessment is significantly below the State of Ohio average (7.82%), poverty level is still a factor in the performance context and is taken into consideration in the conclusions regarding the bank's performance.

The size of the institution, lending opportunities within the assessment area, and competition with other institutions also were considered in the performance context while evaluating the bank's performance.

## DESCRIPTION OF INSTITUTION

St. Henry is a full-service retail bank with no holding company or subsidiaries located at 231 East Main Street in Saint Henry, Ohio. Including the main office, St. Henry operates three offices throughout Mercer County, Ohio (two offices are in Saint Henry and one office is in Maria Stein). The bank also operates three full-service Automated Teller Machines (ATMs) at each of the offices.

According to St. Henry's December 31, 2009 Uniform Bank Performance Report, the bank's total assets were valued at \$197.9 million, which represents an increase of approximately 10.9% since March 31, 2008. St. Henry is a retail lender with 84.7% of all loans secured by either commercial or residential real estate. Specifically, 42.4% of loans are secured by other real estate (including farmland, multifamily, and nonfarm, non-residential properties), 40.8% are secured by 1-4 family residential properties, and 1.5% are construction/development loans. Commercial and industrial loans represent 5.9% of the bank's loan portfolio and agricultural and consumer loans represent 3.4% and 3.1% of the loan portfolio, respectively.

As previously discussed, St. Henry's main office and its branches are located in Mercer County, Ohio, which is in central western Ohio. The bank's community is predominantly agricultural. Celina is the largest city in Mercer County and boasts the Grand Lake, which provides some tourism and recreational activities to the area.

St. Henry's assessment area includes portions of Auglaize, Darke, and Mercer Counties. Specifically, two census tracts in southwest Auglaize County, one census tract in northern Darke County, and four census tracts in southern Mercer County comprise St. Henry's assessment area. All seven census tracts are located in Non-Metropolitan Ohio assessment area. There are no low- or moderate-income census tracts, four middle-income census tracts, three upper-income census tracts, and no distressed and/or underserved middle-income census tracts in the assessment area.

Given that there are no low- or moderate-income geographies within St. Henry's assessment area, the bank's level of lending to borrowers of different income levels (particularly low- and moderate-income borrowers) and to businesses and farms of different revenue sizes (particularly small businesses and small farms) received the greatest weight in this evaluation.

The bank's assessment area complies with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low or moderate-income census tracts. The bank's asset size and financial condition indicate that it has the ability to effectively meet the credit needs of its assessment area. There are no legal or other impediments that would hamper the bank's ability to meet the community's credit needs.

## DESCRIPTION OF ASSESSMENT AREA IN NON-MSA OHIO

### Population Characteristics

According to the 2000 U.S. Census, the population within St. Henry's assessment area was 31,306, of which 98.8% were White non-Hispanic, and 1.2% of the population represented other races (such as Asian non-Hispanic, Black non-Hispanic, American Indian, and Hawaiian Pacific Islanders). Approximately 46.9% of the population within the assessment area was between the ages of 25 and 64, which is comparable to the state-wide average of 51.9% in that age category. This differential is accounted for in the percentage of the population under the age of 17, with the assessment area showing 32.0%, while the state of Ohio reporting 25.4% in this category. Persons ages 65 and over represented 13.7% of the population and individuals ages 18 to 24 represented 7.5% of the total population.

### Income Characteristics

Based on the 2000 U.S. Census, the median family income for the bank's assessment area was \$53,400, which modestly exceeded the State of Ohio's median family income of \$50,037.

Additionally, there are 8,288 families in the assessment area, with 9.6% considered low-income, 14.0% moderate-income, 24.3% middle-income, and 52.1% upper-income. Of these, 296 (3.6%) families have incomes below the poverty level.

### Housing Characteristics

According to the 2000 U.S. Census, there were 11,300 housing units in the assessment area, of which 93.3% were one-to-four family units, 5.4% were mobile homes, 1.2% contained five or more units, and 0.04% were classified as "other" properties. Additionally, 79.2% of the housing units in this assessment area were owner-occupied, 14.6% were rental units, and 6.2% were vacant. The 2000 U.S. Census data revealed that a higher percentage of housing units in the upper-income census tracts are owner-occupied than in the middle-income census tracts.

Data from the 2000 U.S. Census report indicates that the median age of housing stock in Auglaize County is 38 years. The median age of housing stock in Darke County is 41 years. The median age of housing stock in Mercer County is 43 years. This data further indicates that the assessment area's median housing value is \$107,844 compared to \$91,700 for Auglaize County, \$93,800 for Darke County, \$93,500 for Mercer County, and \$100,500 for the State of Ohio.

Despite challenging economic conditions of recent years, the three counties in St Henry's assessment area are experiencing a relatively low rate of foreclosures. The current foreclosure rate for Darke County is one in 508 homes, one in 675 homes for Auglaize County, and the rate is one in 988 homes in Mercer County. These rates compare favorably to the State of Ohio rate of one in every 171 homes in foreclosure and the national rate of one in every 136.<sup>1</sup>

According to the 2000 Census Bureau, the affordability ratio for the bank's assessment area is 43.0%. This ratio is calculated by dividing the median household income by the median housing value. The bank's percentage indicates that many low- and moderate-income borrowers could have difficulty obtaining housing in this area.

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

As of 2007, the Ohio Department of Development<sup>2</sup> reported that manufacturing, government, and transportation were the largest employment industries in the assessment area. Major employers include Celina Aluminum Precision Technology, Crown Equipment Corporation, Danone Group/Dannon Co., and EDP Incorporated/Goodyear Tire & Rubber Company. According to the Ohio Department of Job and Family Services,<sup>3</sup> the annual average unemployment rate for 2009 in Mercer, Darke, and Auglaize Counties was 8.8%, 11.2%, and 10.5%, respectively. All but Darke County were below the state unemployment rate of 11.0%. Only Auglaize County was below the national unemployment rate of 9.7%.

Although the community surrounding St. Henry is largely agricultural and has been modestly shielded from the brunt of the economic downturn, the area also has a strong manufacturing base with connections to the automobile industry, which has experienced significant job losses. Celina Aluminum Precision Technology is a supplier for Honda and this company experienced modest layoffs in 2009. Crown Equipment Corporation, who primarily designs, manufactures, and distributes truck lifts, experienced significant job loss in recent years. This company has plants in New Bremen, New Knoxville, Celina, and Fort Loramie, Ohio. All of those towns are either in St. Henry's assessment area or within close proximity to St. Henry. Other nearby areas, such as Sidney, Ohio, have also experienced considerable job losses due to a large amount of automobile supplier companies connected to General Motors and Chrysler. Many jobs at small and large automobile supply companies were lost because of the automobile industry financial troubles.

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1 <http://www.realtytrac.com/foreclosure/foreclosure-rates.html>

2 [www.odod.state.oh.us/research/files/s104.pdf](http://www.odod.state.oh.us/research/files/s104.pdf)

3 <http://lmi.state.oh.us/laus/CLFE/AnnualAverages/2009CLFE.pdf>

St. Henry competes with national and regional financial institutions in providing retail-banking services within its assessment area. As of June 30, 2009, the Federal Deposit Insurance Corporation reported that St. Henry ranked eighth with 5.5% of the market share of deposits out of 20 financial institutions in the market within Mercer, Darke and Auglaize Counties. Five of the seven banks with more market share within the assessment area are financial institutions of more than \$250 million. Some competitors include, but are not limited to, First Financial Bank N.A., Minster Bank, Greenville National Bank, Peoples Bank Co., Fifth Third Bank, Park National Bank, and JP Morgan Chase N.A.

The demographic table that follows illustrates the bank's entire assessment area.

### Combined Demographics Report

The Saint Henry Bank

Assessment Area(s): NonMSA 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	799	9.6
Moderate-income	0	0.0	0	0.0	0	0.0	1,163	14.0
Middle-income	4	57.1	4,597	55.5	199	4.3	2,012	24.3
Upper-income	3	42.9	3,691	44.5	97	2.6	4,314	52.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>7</b>	<b>100.0</b>	<b>8,288</b>	<b>100.0</b>	<b>296</b>	<b>3.6</b>	<b>8,288</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	6,534	5,094	56.9	78.0	891	13.6	549	8.4
Upper-income	4,766	3,856	43.1	80.9	762	16.0	148	3.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>11,300</b>	<b>8,950</b>	<b>100.0</b>	<b>79.2</b>	<b>1,653</b>	<b>14.6</b>	<b>697</b>	<b>6.2</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	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	553	50.7	466	50.3	63	50.4	24	61.5
Upper-income	538	49.3	461	49.7	62	49.6	15	38.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,091</b>	<b>100.0</b>	<b>927</b>	<b>100.0</b>	<b>125</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>85.0</b>		<b>11.5</b>		<b>3.6</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	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	319	63.3	315	63.0	4	100.0	0	0.0
Upper-income	185	36.7	185	37.0	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>504</b>	<b>100.0</b>	<b>500</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>99.2</b>		<b>0.8</b>		<b>0.0</b>	

## **Community Contacts**

Two community contacts were utilized in conjunction with this evaluation. One contact was an individual with extensive experience regarding economic development in Mercer County. The other contact focused on economic development in Darke County.

According to the contact in Mercer County, that area has not been as negatively impacted by the recession as have other parts of the State. The contact believed this was attributable to housing prices remaining stable and lower unemployment levels and less of an impact on unemployment in Mercer County due to the variety of small and diverse businesses in the area.

The contact in Darke County stated that the economy was struggling and improvements were minimal. In addition to challenging economic conditions, the contact believed that Darke County's lack of major highways and large agricultural base inhibited the county's ability to attract businesses. The contact also stated that there was a high demand for affordable housing in the area and many low- and moderate-income residents were challenged with only obtaining low-paying, non-union jobs.

Although parts of St. Henry's assessment area have been less impacted by the recession than others, effects of the challenging economy are still evident and local residents have specific credit needs. Despite the differing opinions of the contacts in Mercer and Darke Counties, both stated that local financial institutions are proactive and responsive to community needs. In addition, the contact in Mercer County specifically stated that St. Henry demonstrates financial strength, community support, and advocacy.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### 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 dividing the institution's quarterly net loans by the quarterly total deposits.

St. Henry's peer group consists of all insured commercial banks having assets between \$100 million and \$300 million in a non-metropolitan area with three or more full-service offices. St. Henry's loan-to-deposit ratio is reasonable, despite being slightly lower than the peer group given the bank's size, financial condition, and assessment area credit needs. The loan-to-deposit ratio has averaged 76.4% over the past 15 quarters of operation and is slightly below the peer group average of 80.5%.

The following table illustrates St. Henry's quarterly loan-to-deposit ratios for 15 quarters since the previous evaluation with the average loan-to-deposit ratio for the same period for the bank and the peer.

<b>Loan-to-Deposit Ratios</b>				
<b>As of Date</b>	<b>Net Loans(000s)</b>	<b>Total Deposits (000s)</b>	<b>Bank Ratio (%)</b>	<b>Peer Ratio (%)</b>
December 31, 2009	110,168	143,018	77.03	77.58
September 30, 2009	105,967	140,287	75.54	79.72
June 30, 2009	101,303	138,696	73.04	80.06
March 31, 2009	98,539	133,191	73.98	79.37
December 31, 2008	97,108	130,521	74.40	81.95
September 30, 2008	91,697	126,668	72.39	82.84
June 30, 2008	91,877	127,163	72.25	81.16
March 31, 2008	89,847	121,827	73.75	79.31
December 31, 2007	92,005	121,743	75.57	80.50
September 30, 2007	90,958	114,852	79.20	81.04
June 30, 2007	90,397	113,600	79.57	80.63
March 31, 2007	88,230	111,775	78.94	79.18
December 31, 2006	88,865	113,968	77.97	79.76
September 30, 2006	87,080	107,645	80.90	82.49
June 30, 2006	84,592	103,905	81.41	81.23
<b>Quarterly Loan-to-Deposit Ratio Average Since Previous Evaluation</b>			<b>76.4%</b>	<b>80.5%</b>

### Lending in the Assessment Area

The bank's mortgage, consumer, and small business lending was analyzed to determine the volume of lending inside versus outside the bank's assessment area. Although small business lending within the assessment area was lower than other products reviewed, a majority of the bank's loans were made inside of its assessment area.

The following table illustrates the percentage of loans made inside and outside St Henry's assessment area:

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Type</b>	<b>Inside the Assessment Area</b>				<b>Outside the Assessment Area</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b># of Loans</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Small Business	50	66.7	5,372	39.0	25	33.3	8,413	61.0
Small Farm	50	75.8	5,984	73.4	16	24.2	2,167	26.6
Mortgage	119	88.1	15,823	85.8	16	11.9	2,610	14.2
Motor Vehicle	67	81.7	647	76.5	15	18.3	199	23.5
Other Consumer	73	86.9	1,802	80.7	11	13.1	430	19.3
<b>Total</b>	<b>259</b>	<b>86.0</b>	<b>18,273</b>	<b>84.9</b>	<b>42</b>	<b>14.0</b>	<b>3,238</b>	<b>15.1</b>

### Geographic Distribution

Based on demographic characteristics unique to this assessment area and performance details of all reviewed lending products, St. Henry's geographic distribution of lending reflects a reasonable proportionate dispersion throughout its assessment area.

The geographic distribution of loans was analyzed to determine the bank's lending patterns among census tracts within its assessment area. As previously discussed, there were no low- or moderate-income census tracts in this assessment area. There were also no distressed and/or underserved middle-income census tracts in this assessment area. Therefore, geographic distribution was weighted less heavily in relation to the bank's performance context and borrower distribution.

### *Mortgage Loans*

The bank originated 119 mortgage loans during this review period. Of those loans, 52 (43.7%) were made in middle-income tracts, which was below the percentage (56.9%) of owner-occupied housing units in middle-income tracts and 67 (56.3%) of the bank's mortgage loans were made in upper-income tracts, which exceeded the percentage (43.1%) of owner-occupied housing units in upper-income tracts. Although mortgage lending in middle-income tracts was below the percentage of owner-occupied units in those tracts, the overall performance and demographics indicate that mortgage loans were proportionally provided throughout the assessment area.

### ***Motor Vehicle Loans***

St. Henry originated 67 motor vehicle loans during this review period. Of those loans, 32 (47.8%) were made in middle-income tracts, which was below the percentage (56.3%) of households in middle-income tracts and 35 (52.2%) of the bank's motor vehicle loans were made in upper-income tracts, which exceeded the percentage (43.7%) of households in upper-income tracts. Although lending in middle-income tracts was below the percentage of households in those tracts, the bank's overall performance and demographic characteristics indicate that motor vehicle loans were proportionally provided to residents throughout the assessment area.

### ***Other Consumer Loans***

St. Henry originated 73 other consumer loans during this review period. Of those loans, 24 (32.9%) were made in middle-income tracts, which was below the percentage (56.3%) of households in middle-income tracts and 49 (67.1%) of other consumer loans were made in upper-income tracts, which significantly exceeded the percentage (43.7%) of households in upper-income tracts. Although lending in middle-income tracts was below the percentage of households in those tracts, St. Henry's overall performance and demographic characteristics indicate that other consumer loans were proportionally provided to residents throughout the assessment area.

### ***Business Loans***

St. Henry originated 50 business loans during this evaluation period. Of those loans, 24 (48.0%) were made in middle-income tracts, which was slightly below the percentage (50.7%) of all businesses located in middle-income tracts and 26 (52.0%) of the bank's business loans were made in upper-income tracts, which exceeded the percentage (49.3%) of all businesses located in upper-income tracts. These levels of lending indicate that St. Henry proportionally provided business loans throughout its assessment area.

### ***Farm Loans***

St. Henry originated 50 farm loans during this evaluation period. Of those loans, 37 (74.0%) were made in middle-income tracts, which exceeded the percentage (63.3%) of all farms in middle-income tracts and 13 (26.0%) of the bank's farm loans were made in upper-income tracts, which was below the percentage (36.7%) of farms located in upper-income tracts. Although farm lending in upper-income tracts was below the percentage of all farms in those tracts, the bank's overall levels of farm lending and demographic characteristics of the area indicate that farm loans were proportionally provided throughout the assessment area.

## **Borrower Distribution**

Due to the lack of low- or moderate-income census tracts in St. Henry's assessment area, the bank's lending patterns regarding the distribution of credit among borrowers of different income levels (particularly low- and moderate-income) and to businesses and farms of different revenue sizes (particularly small businesses and small farms) received the most weight in relation to its performance context. Based on this analysis and considering that 3.6% of families in this area live below poverty level, St. Henry has an excellent penetration of loans to borrowers of different income levels and businesses and a reasonable distribution among farms of different revenue sizes.

### ***Mortgage Loans***

St. Henry originated 119 mortgage loans during this evaluation period. Of those loans, four (3.4%) were made to low-income borrowers. This was below the percentage (9.6%) of low-income families in the assessment area and reflects a poor level of mortgage lending to low-income borrowers.

The bank made 11 (9.2%) of its mortgage loans to moderate-income borrowers, which was below the percentage (14.0%) of moderate-income families in the assessment area and reflects a reasonable level of lending to moderate-income borrowers.

The bank made 24 (20.2%) and 79 (66.4%) of its mortgage loans to middle- and upper-income borrowers, respectively, compared to the percentages (24.3% and 52.1%) of middle- and upper-income families in the assessment area.

The bank made one (0.8%) mortgage loan in which the borrower's income level was unknown.

### ***Motor Vehicle Loans***

St. Henry originated 67 motor vehicle loans during this evaluation period. Of those loans, 22 (32.8%) were made to low-income borrowers. This significantly exceeded the percentage (12.8%) of low-income households in the assessment area and reflects an excellent level of lending to low-income borrowers.

The bank made 24 (35.8%) of its motor vehicle loans to moderate-income borrowers. This significantly exceeded the percentage (13.5%) of moderate-income households in the assessment area and reflects an excellent level of lending to moderate-income borrowers.

The bank made 13 (19.4%) and seven (10.4%) of its motor vehicle loans to middle- and upper-income borrowers, respectively, compared to the percentages (19.1% and 54.6%) of middle- and upper-income households in the assessment area.

### ***Other Consumer Loans***

St. Henry originated 73 other consumer loans during this evaluation period. Of those loans, 23 (31.5%) were made to low-income borrowers. This significantly exceeded the percentage (12.8%) of low-income households in the assessment area and reflects an excellent level of lending to low-income borrowers.

The bank made 11 (15.1%) of its other consumer loans to moderate-income borrowers. This exceeded the percentage (13.5%) of moderate-income households in the assessment area and reflects an excellent level of lending to moderate-income borrowers.

The bank made 14 (19.2%) and 11 (15.1%) of its other consumer loans to middle- and upper-income borrowers, respectively, compared to the percentages (19.1% and 54.6%) of middle- and upper-income households in the assessment area.

The bank made 14 (19.2%) of its other consumer loans to borrowers in which the income levels were unknown.

### ***Business Loans***

St. Henry originated 50 business loans during this evaluation period. Of those loans, 47 (94.0%) were to small businesses (those with gross annual revenues of less than or equal to \$1 million), with three (6.0%) loans to businesses with revenues over \$1 million. Businesses with gross annual revenues under \$1 million represent 85.0% of all businesses in the assessment area.

Of the 50 business loans originated during this period, 35 (70.0%) were for amounts of \$100,000 or less, nine (18.0%) loans were for amounts greater than \$100,000 or equal to \$250,000, and six (12.0%) loans were for amounts greater than \$250,000 or equal to \$1 million. Business loans for amounts of \$100,000 or less are often indicative of smaller business credit needs. Therefore, this further indicates that the bank has been responsive to the credit needs of small businesses, despite the banking competition within the assessment area.

This analysis reflects an excellent level of lending to small businesses.

### ***Farm Loans***

St. Henry originated 50 farm loans during this evaluation period. Of those loans, 46 (92.0%) were to small farms (those with gross annual revenues of less than or equal to \$1 million) and four (8.0%) were to farms with revenues over \$1 million. Farms with gross annual revenues under \$1 million represent 99.2% of all farms in the assessment area.

Of the 50 farm loans originated during this evaluation period, 31 (62.0%) were for amounts of \$100,000 or less, 12 (24.0%) were for amounts greater than \$100,000 or equal to \$250,000, six (12.0%) loans were for amounts greater than \$250,000 or equal to \$500,000, and one (2.0%) loan was for an amount above \$500,000. Farm loans for amounts of \$100,000 or less are often indicative of smaller farm credit needs. Therefore, this further indicates that the bank has been responsive to the credit needs of small farms. This analysis reflects a reasonable level of lending to small farms.

### **Response to Consumer Complaints**

The bank has not received any CRA-related complaints since the previous examination.

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

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs were identified. The bank maintains fair lending procedures and has an adequate fair lending program.

APPENDIX A

TABLES

<b>Geographic Distribution of Consumer Loans</b>						
<b>Assessment Area/Group: NonMSA OH</b>						
	<b>Total Consumer Loans</b>		<b>Middle-Income Geographies</b>		<b>Upper-Income Geographies</b>	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Motor Vehicle	67	47.9	56.3	47.8	43.7	52.2
Other Consumer	73	52.1	56.3	32.9	43.7	67.1

<b>Borrower Distribution of Consumer Loans</b>										
<b>Assessment Area/Group: NonMSA OH</b>										
	<b>Total Consumer Loans</b>		<b>Low-Income Borrowers</b>		<b>Moderate-Income Borrowers</b>		<b>Middle-Income Borrowers</b>		<b>Upper-Income Borrowers</b>	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Motor Vehicle	67	47.9	12.8	32.8	13.5	35.8	19.1	19.4	54.6	10.4
Other Consumer	73	52.1	12.8	31.5	13.5	15.1	19.1	19.2	54.6	15.1

<b>Geographic Distribution of Small Loans to Businesses and Farms</b>						
<b>Assessment Area/Group: NonMSA OH</b>						
	<b>Total Loans</b>		<b>Middle-Income Geographies</b>		<b>Upper-Income Geographies</b>	
	#	% of Total	% of Businesses/ Farms	% Bank Loans	% of Businesses/ Farms	% Bank Loans
Small Business	50	50.0	50.7	48.0	49.3	52.0
Small Farm	50	50.0	63.3	74.0	36.7	26.0

<b>Borrower Distribution of Small Loans to Businesses and Farms</b>							
<b>Assessment Area/Group: NonMSA OH</b>							
	<b>Total Loans</b>		<b>Businesses/Farms with Revenues of \$1 million or less</b>		<b>Loans by Original Amount Regardless of Business Size</b>		
	<b>#</b>	<b>% of Total</b>	<b>% of Businesses/Farms</b>	<b>% Bank Loans</b>	<b>\$100,000 or Less</b>	<b>&gt;\$100,001 to \$250,000</b>	<b>&gt;\$250,001 to \$1,000,000</b>
Small Business	50	50.0	85.0	94.0	70.0	18.0	12.0
Small Farm	50	50.0	99.2	92.0	62.0	24.0	12.0

## 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. An 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. An MD is a division of a MSA based on specific criteria including commuting patterns. Only an 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.

### APPENDIX C

### ASSESSMENT AREA MAP

The Saint Henry Bank  
Assessment Area: NonMSA OH

