

PUBLIC DISCLOSURE

October 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eaton National Bank and Trust Company
Charter Number 7557

110 West Main Street
Eaton, Ohio 45320

Office of the Comptroller of the Currency

Central Ohio Field Office
325 Cramer Creek Court, Suite 202
Dublin, Ohio 43017

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Eaton National Bank and Trust Company, Eaton, Ohio** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 25, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

OVERALL CONCLUSIONS

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory Record of Meeting Community Credit Needs**.

Eaton National Bank & Trust Company (ENB) exhibits a satisfactory performance record. This rating is supported by:

- ENB's loan-to-deposit ratio of 90% at June 30, 1999, is reasonable in comparison with the ratios of its peer banks
- A substantial majority of the bank's lending activity occurs within its assessment area
- Overall, lending to borrowers of different incomes and businesses of different sizes is reasonable.
- The geographic dispersion of loans throughout the assessment area is reasonable.

DESCRIPTION OF INSTITUTION

Eaton National Bank & Trust Company (ENB) is a \$125 million financial institution with its main office located in Eaton, Ohio. ENB is owned by Colonial Banc Corp., which is also located in Eaton, Ohio. ENB's assets represent more than 99% of the holding company's assets. ENB offers traditional retail and commercial banking products and services through its main office and five full service branches located in Preble County. The bank has two branches located in Eaton and three additional branches located in Lewisburg, New Paris, and West Alexandria. All of the branches, except the North Barron Street Branch in Eaton, have drive-up facilities. The North Barron Street Branch is located in a local grocery store and is open until 8:00 P.M. during the week and from 10:00 A.M. to 3:00 P.M. on Saturdays. The bank owns and operates nine automatic teller machines (ATM). Five of the offices have ATMs. The bank also has four off-premises ATMs, with two of these four as cash dispensing machines only. All of the offices are located in middle-income areas.

ENB's primary business focus is lending to individuals (residential real estate and consumer loans) and small businesses (commercial real estate). They offer a variety of lending products to accommodate borrowers within their assessment area. ENB reported gross loans of \$100 million on their June 30, 1999 Consolidated Report of Condition (Call Report). The percentage of net loans and leases to average assets at the same time period was 76%. The bank's loan portfolio mix as of June 30, 1999, based upon dollar amounts, was 48% loans secured by 1-4 family residential real estate, 25% loans to individuals, 14% commercial real estate, 6% agricultural, 5% commercial, 1% construction/land development, and 1% other loans.

No financial or legal impediments exist that affect the bank's ability to meet the credit needs of its community. ENB's prior CRA rating as of June 30, 1996, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

ENB's assessment area (AA) consists of all the BNAs in Preble County, Ohio. Competition in the AA includes three branches of large regional state and national banks, five branches of smaller state and national banks, one savings and loan, one credit union, and one finance company. The AA meets the requirements of the regulation and does not arbitrarily exclude low-income or moderate-income geographies.

Preble County consists of twelve townships that are divided into ten BNAs. Census information indicates that all ten of the BNAs are middle-income. The Department of Housing and Urban Development estimated the 1999 median family income for the non-metropolitan areas in state of Ohio to be \$43,200. The median family income for Preble County in 1998

was \$31,298. The distribution of families among income levels is as follows for Preble County: 16% are low-, 19% are moderate-, 25% are middle-, and 40% are upper-income.

As of the 1990 Census, the total population of the AA was 40,113. The AA is made up of 11,489 families. Seventy-three percent of the housing units in Preble County are owner-occupied. Eight percent of the families in Preble County live below the poverty level. The median housing value for Preble County is \$53,172.

Based upon census data, businesses with annual gross revenues less than \$1 million account for 94% of all the business entities that reported sales volume in Preble County. One hundred sixty-six companies did not report sales volume.

The local economy is stable. It is diversified into manufacturing, wholesale, retail, and agricultural businesses. Major employers include Henny Penny Corporation, Parker-Hannifin, and Neaton Auto Products. The unemployment rate is low at 4.0% for Preble County, as of June 1999. The unemployment rate for the State of Ohio as of June 1999 was 4.5%.

Our discussion with a local community leader and bank personnel indicates that community credit needs are being adequately met. They identified consumer lending as the primary credit need of the area, i.e. residential real estate, automobile, personal, and agricultural loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

ENB's quarterly average loan-to-deposit ratio since the prior CRA examination was 82%. Over the last 12 quarters, the loan-to-deposit ratio ranged from a low of 75% at September 30, 1996, to a high of 90% at June 30, 1999. The average loan-to-deposit ratio for similarly situated banks in the states of Ohio, Kentucky, and Indiana with total assets between \$100 to \$300 million, three or more banking offices, and in non-metropolitan areas was 78% as of June 30, 1999 (national peer average is 74%). The bank's present loan-to-deposit ratio compares favorably with the peer average.

Lending In Assessment Area

A substantial majority of the loans are made to borrowers within the bank's assessment area.

We evaluated the level of residential real estate lending, secured by 1-4 family properties, within the AA by reviewing the bank's 1997 and 1998 internal CRA Reports for home purchase/refinance loans and home equity loans. We also evaluated the level of commercial

real estate lending using the bank's CRA Reports for the same time period. The total dollar amount of these loans was not readily available through the CRA Reports. We also sampled 20 home purchase/refinance loans, 20 commercial real estate loans, and 20 individual loans (new/used automobile loans) from January 1, 1997 to September 13, 1999. Our sample included 10 home purchase/refinance loans and 15 commercial real estate loans made in 1997 and 1998, to verify the accuracy of the bank's internal CRA Reports. No errors were found and we determined the reports to be accurate. Ninety-three percent of the loans made in 1997 and 1998, using the bank's internal CRA Reports, were within the bank's AA. In our sample, 95% of the number and 99% of the dollar amount of loans were within the bank's AA. This represents a substantial majority of lending within the AA. See Tables 1 and 2 for the distribution among loan products.

Table 1		
Lending in the Assessment Area Bank's 1997 and 1998 Internal CRA Reports		
Loan Originations	#	%
Residential Real Estate - Home Purchase/Refinance Loans	351	94%
Home Equity Loans	139	93%
Commercial Real Estate	30	83%
TOTAL	520	93%

Table 2				
Lending in the Assessment Area OCC Sample				
	#	%	\$	%
Home Purchase/ Refinance Loans	20	100%	\$1,080,748	100%
Commercial Real Estate Loans	20	100%	\$2,892,027	100%
Individual Loans	17	85%	\$291,814	90%
TOTAL	57	95%	\$4,264,589	99%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The analysis of borrower income levels of the residential real estate portfolio reflects, given the demographics of the assessment area, reasonable distribution among all income levels (including low- and moderate-income). The analysis of business loans (commercial real estate) indicates a willingness to lend to small businesses.

The bank's primary business focus is consumer lending (residential real estate and consumer

loans) and commercial real estate lending.

Based on the demographics of the AA, the bank's lending to borrowers of different income levels and businesses of different sizes is reasonable. The total dollar amount of the loans made in 1997 and 1998 was not readily available through the bank's internal CRA Reports. We sampled 20 home purchase/refinance loans, 20 commercial real estate loans, and 20 individual loans (new/used automobile loans) from January 1, 1997 to September 13, 1999.

The bank made a lower percentage of loans to low-income borrowers than the percentage of low-income families in the AA, but the income on 13% of the residential real estate loans in the CRA Reports was listed as non-applicable. Also 8% of the families in Preble County live below the poverty level. See Tables 3, 4, and 5 for details.

Table 3					
Distribution of Residential Real Estate Loans Among Individuals in the AA 1997 and 1998 Internal CRA Reports					
	Low	Moderate	Middle	Upper	Non-Applicable
	#	#	#	#	#
Home Purchase/ Refinance Loans	8%	19%	21%	39%	13%
Home Equity Loans	7%	20%	24%	36%	13%
% of Families in the bank's AA	16%	19%	25%	40%	

Table 4								
Distribution of Home Purchase/Refinance Loans Among Individuals in the AA OCC Sample								
	Low		Moderate		Middle		Upper	
	#	\$	#	\$	#	\$	#	\$
Loans	10%	3%	35%	29%	15%	11%	40%	57%
% of Families in the bank's AA	16%		19%		25%		40%	

Table 5				
Distribution of Individual Loans Among Individuals in the AA OCC Sample				
	Low	Moderate	Middle	Upper

	#	\$	#	\$	#	\$	#	\$
Loans	12%	5%	12%	11%	29%	28%	47%	56%
% of Families in the bank's AA	16%		19%		25%		40%	

The commercial real estate loan sample represents reasonable distribution among businesses of different sizes in the AA. A majority of the loans are made to businesses with annual gross revenues less than \$1,000,000, which is consistent with the demographics of the AA. Based upon census data, 94% of the businesses in Preble County, with reported sales volume, have gross revenues less than \$1,000,000. There were 166 businesses in Preble County with "NA" listed for sales volume. See Tables 6 for details.

Table 6				
Distribution of Commercial Real Estate Loans in the AA				
OCC Sample				
Annual Gross Revenues:	#	%	\$	%
Less than \$100,000	7	35%	524,300	18%
\$100,000 - \$250,000	8	40%	1,632,720	56%
\$250,000 - \$500,000	1	5%	225,000	8%
\$500,000 - \$1,000,000	0	0%	0	0%
Over \$1,000,000	4	20%	510,007	18%

Our analysis reflects that the bank is addressing the community's credit needs, as identified by the community contact, by making residential real estate and consumer loans.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

All of the BNAs in the bank's AA are middle-income geographies. Therefore, a majority of the bank's loans are made to borrowers living in middle-income geographies. Based upon our review of the bank's 1997 and 1998 internal CRA Reports for home purchase and refinance residential real estate loans, home equity loans, and commercial real estate loans, the bank made loans in each BNA. This is evidenced by the bank's annual geocoding of lending activity prepared by the CRA Officer. This analysis reflects reasonable dispersion throughout the AA and lending in all BNAs. We verified the accuracy of the reports by sampling 10 home

purchase/refinance loans and 15 commercial real estate loans. We found no errors and determined the reports to be accurate.

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the assessment areas since our previous examination.

Other Considerations

Our fair lending sample included a review of home mortgage loans. We reviewed five denied loans to single-applicants and 20 approved loans to married applicants. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.