



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 20, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The National Bank of Oak Harbor  
Charter Number: 14203**

**147 West Water Street  
Oak Harbor, OH 43449**

**Office of the Comptroller of the Currency**

**Cleveland/Detroit Field Office  
3 Summit Park Drive; Summit Office Park, Suite 530  
Independence, OH 44131**

**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.

## **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".**

The National Bank of Oak Harbor (NBOH) has a **SATISFACTORY** record of meeting community credit needs.

- This financial institution meets the requirements for satisfactory performance for all applicable performance criteria.
- The distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The analysis of loans in our sample demonstrates satisfactory performance for the bank's assessment area (AA).
- NBOH is responsive to its community's credit needs as a majority of the loans in our sample were made within the bank's AA. Seventy-two percent of the number and eighty percent of the total dollars of loans in our sample were made inside the bank's AA.
- The bank's current and 24-quarter average loan-to-deposit ratios are reasonable given the bank's size, financial condition, and AA credit needs.
- There is no evidence of discriminatory or other illegal credit practices at the bank.

## **SCOPE OF EXAMINATION**

We conducted a full scope Community Reinvestment Act (CRA) Examination to assess NBOH's record of meeting the credit needs of its entire community, including low and moderate income areas. We used the Small Bank CRA examination procedures and reviewed information from January 1, 2006 through December 31, 2008 (evaluation period). This evaluation period is representative of the bank's lending strategy since the last examination.

The bank's performance in residential real estate (purchase, refinance, and home improvement loans) and small business lending was our primary consideration during this CRA examination. We determined these two loan types to be the primary credit products originated during the evaluation period and on the bank's balance sheet as of December 31, 2008.

We used data reported by the bank for residential real estate loans under the Home Mortgage Disclosure Act (HMDA) for years 2006 through 2008. The bank originated 246 loans during this period, and the aggregate random sample of loans we examined for the three year period totaled 116 (78 in the AA). The accuracy of this data was confirmed through prior examinations. During the current examination we reviewed additional loan origination data provided by the bank for small business loans originated during 2007 and 2008. All loan data for these time periods was confirmed to be accurate and reliable.

Samples of loans originated during each evaluation period year were randomly chosen from the bank's residential real estate loans reported on the annual HMDA Loan Application Registers to evaluate the bank's performance in residential real estate lending. We randomly selected small business loan samples directly from the bank's credit records, because they were not reported as part of the HMDA data during the evaluation period. The samples of small business loans chosen to perform the analysis of the bank's business lending in the AA were comprised of 41 small business loans (31 in the AA).

## **DESCRIPTION OF INSTITUTION**

The National Bank of Oak Harbor continues to be a wholly owned subsidiary of Indebancorp, a one-bank holding company. As of December 31, 2008, Indebancorp had \$157 million of total assets. The bank's main office is located in Oak Harbor, Ohio. The bank operates the main office and three additional full-service branches in Curtice, Ohio; Port Clinton, Ohio; and Oregon, Ohio. Drive-through and ATM facilities are offered at each branch location. The bank's primary business focus is retail banking and it offers standard products and services through its main and branch office locations.

Management opened a Loan Production Office during October 2005 in Fremont, Ohio. (Fremont is not currently part of the bank's AA) This office makes the following loan products available to any qualifying borrowers within the bank's lending areas: "First Time Homebuyers Program" (Ohio Housing Finance Agency); the FHLB "Welcome Home Program;" and government subsidized FHA and VA Loans. In addition to these special programs, the bank also participates in the "Preserving the American Dream" grant program through the FHLB, Cincinnati, Ohio. This program's grant money is used for mortgage counseling and foreclosure mitigation. The bank is an approved small business lender, and participates in the following special business lending programs: "State of Ohio Link Deposit Program" (formerly known as "Grow Now Program") and the "Agri-Link Program."

At December 31, 2008, loans represented 68 percent of the bank's \$157 million in total assets. The distribution of the loan portfolio was: real estate loans (82 percent); commercial & industrial loans (9 percent); loans to individuals (8 percent); and the remaining (1 percent) was comprised of multiple other loan categories. The bank's real estate loan mix primarily consists of 1-4 family residential (57 percent) and commercial (51 percent) loans. The bank's real estate loan mix compared favorably to the average loan mix of Ohio peer banks, which was: 1-4 family residential (45 percent) and commercial (56 percent).

The bank was rated "Satisfactory" at its last CRA Performance Evaluation dated May 27, 2003.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its AA.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's AA meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Ottawa County has become part of the Toledo, Ohio MSA, since the last CRA examination was performed in May 2003. The bank's main and branch offices have not changed as to their locations. The bank still maintains its Oregon Branch, which is located in Lucas County just north of the northwestern boundary of Ottawa County. Management still identifies NBOH's AA as the boundaries of Ottawa County and includes small portions of adjacent census tracts in Lucas and Wood Counties. The bank has not been successful in developing a significant relationship with Toledo customers. For the purpose of this performance evaluation, the boundaries of Ottawa County will continue to be considered the bank's main AA.

The bank's AA consists of 17 census tracts located in Ottawa, Lucas, and Wood Counties. Thirteen of these census tracts (76 percent) are middle-income and four (24 percent) are upper-income. There are no low- or moderate-income census tracts are in the bank's AA.

The Department of Housing and Urban Development's (HUD) updated 2008 median family income for the AA is \$60,100. The 2000 Census Bureau lists the AA population at 79,441 persons, which comprise 22,567 families. Of these, 15 percent are low income, 17 percent are moderate-income, 25 percent are middle income, and 43 percent are upper-income.

The US Census Bureau's 2005-2007 American Community Survey revealed: 76 percent of the households received earnings and 24 percent received retirement income other than social security. Thirty percent of the household received social security. The average income from social security was \$16,123. From 2005-2007 seven percent of the people in the AA were in poverty. Seven percent of related children under 18 were below the poverty level, compared with 5 percent of people 65 years old and over. Six percent of all families and 22 percent of families with a female householder and no husband present had incomes below the poverty level.

According to the Ohio Department of Job and Family Services (2008 Civilian Labor Force Estimates), the annual average unemployment rate for Ottawa County was 8.9 percent. Lucas and Wood County average unemployment rates were 8.3 percent and 6.8 percent respectively. All three counties had unemployment rates higher than the State of Ohio (6.5 percent) and the national (5.8 percent) unemployment rates. Ottawa County population continues to consist mainly of upper-middle aged and elderly citizens, and the younger population continues to leave the area due to limited employment opportunities. Ottawa County lacks major industries and the majority of employment opportunities continue to be in retail and service businesses. The Lake Erie tourism business continues to offer temporary seasonal job opportunities.

Among the most common occupations are management, professional, and related occupations (30 percent); sales and office occupations (23 percent); service occupations (20 percent); production, transportation, and material moving occupations (17 percent); and construction, extraction, maintenance, and repair occupations (10 percent). Eighty percent of the people employed were private wage and salary workers; 14 percent were federal, state, or local government workers; and 6 percent were self-employed in their own businesses.

There have been no new major employers in the county since the last CRA examination (May 2003). The major employers are Davis-Besse Nuclear Power Plant, Benton-Carroll-Salem Local Board of Education, Brush Wellman, First Energy Corp, Luther Home of Mercy, and Magruder Hospital.

We determined the community's credit needs by contacting representatives from a local affordable housing community action commission and a county economic development and improvement corporation. Information regarding community credit needs was obtained from these agencies, the bank's management, and the OCC Community Affairs Officer.

We identified the following credit and non-credit related needs in this AA:

- General banking and credit needs include loans for fixed asset investments, working capital, and dollars to "get through slow times".
- The bank's senior officers were contacted, and they all indicated that there have been very few community development opportunities within the AA in which the bank could participate, but the bank is always open to the needs that may arise in the communities it serves. This was confirmed during the current examination.
- The WSOS Community Action Commission representative indicated the following needs: 1) Help in providing first-time homebuyers with financial counseling; 2), WSOS participation with local banks in providing home purchase funding to new home purchase customers, given the new Neighborhood Stabilization Program funds recently received by WSOS. These new deals would include construction loan opportunities for the local bank lenders.

## **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 AA credit needs, and meets the requirements for satisfactory performance.**

The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition and the AA's credit needs. The loan-to-deposit (LTD) ratio as of December 31, 2008 was 87.14 percent, and its average LTD over the previous 17 quarters was

89.34 percent. For analysis purposes we compared NBOH’s current and 17-quarter average LTD ratios with a peer group consisting of banks of various sizes and similar purposes competing within the same AA. The analysis shows that NBOH’s LTD ratios are slightly higher than the peer group’s 4Q08 LTD ratio of 86.80 percent and 17-quarter average of 82.94 percent. This is due primarily to an increase in NBOH LTD ratio from 4Q04 through 1Q06. During this time the bank employed an additional lender that mainly serviced the Put-In-Bay communities, and management opened the bank’s Loan Production Office (November 2005).

**Lending in Assessment Area**

- **The bank’s record of lending within their AA is reasonable, and supports satisfactory performance with a majority of the bank’s lending inside the AA.**

As outlined in the description of the institution above, the bank’s primary loan types are residential real estate and small business loans (commercial and commercial real estate loans). We tested the bank’s residential loans reported for HMDA during 2006, 2007, and 2008. We also manually sampled 41 small business loans that the bank originated during 2007 and 2008. The bank does not currently include its small business credits as part of its HMDA Reporting. According to the samples, the bank made 72 percent of the number of loans and 81 percent of the dollars it loaned in the samples within its AA.

<b>Loans Originated within OHNB’s Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans (000)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Home Purchase</b>	102	68.0	48	32.0	150	12,223	74.5	4,177	25.5	16,400
<b>Home Refinance</b>	72	76.6	22	23.4	94	9,639	85.3	1,663	14.7	11,302
<b>Home Improvement</b>	2	100.0	0	0.0	2	35	100.0	0.00	0.0	35
<b>Small Business</b>	31	75.6	10	24.4	41	4,735	89.9	529	10.1	5,264
<b>Totals</b>	<b>207</b>	<b>72.1</b>	<b>80</b>	<b>27.9</b>	<b>287</b>	<b>26,632</b>	<b>80.7</b>	<b>6,369</b>	<b>19.3</b>	<b>33,001</b>

*Source: Consumer Real Estate data acquired from bank’s 06/07/08 HMDA reports, SB data from 07/08 sample of loans.*

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

- **The bank’s lending to borrowers of different income levels and businesses of different sizes is reasonable, and reflects satisfactory performance.**

The distribution of residential real estate lending reflects reasonable penetration among individuals of different incomes, including low- and moderate- income borrowers. Based on the residential real estate loans sampled, which included all HMDA reportable loans from 2006 to 2008, the distribution to borrowers in different income categories reflects

penetration to all income categories. Lending to low-income borrowers (11.36 percent) is slightly less than the percentage of low-income families in the AA (14.92 percent), however lending to moderate-income borrowers (25.57 percent) is substantially higher than the moderate-income families in the AA (17.55 percent). As identified earlier in this report, families living below the poverty level in this AA were 7 percent. Those families living below the poverty level would likely not meet NBOH’s credit standards for home mortgage loans. Sixteen percent of the occupied housing units in the AA are rental units. None of the census tracts in the bank’s AA are low- or moderate-income tracts. There are also several other banking institutions in the area providing additional competition for loans. Overall, the bank’s performance in residential real estate lending reflects satisfactory performance.

Based on the 2007 to 2008 business loan samples, the distribution of lending to businesses of different sizes is reasonable and supports satisfactory performance. A majority of the loans in our sample (90.3 percent by number) were made to small businesses with annual gross revenues of less than \$1 million.

Refer to Tables 2 and 2A for specific details on the loans made to low- and moderate-income borrowers and to businesses with annual gross revenues of less than \$1 million.

<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
<b>Home Purchase</b>	14.92	7.84	17.55	30.39	24.89	17.65	42.64	37.25
<b>Home Refinance</b>	14.92	25.28	17.55	19.44	24.89	22.22	42.64	31.94
<b>Home Improvement</b>	14.92	50.00	17.55	0	24.89	0	42.64	50.00
<b>Total Residential R/E Loans</b>	<b>14.92</b>	<b>11.36</b>	<b>17.55</b>	<b>25.57</b>	<b>24.89</b>	<b>19.32</b>	<b>42.64</b>	<b>35.23</b>

<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	63.3	4.2	32.5	100%
<b>% of Bank Loans in AA by #</b>	90.3	9.7	0.0	100%
<b>% of Bank Loans in AA by \$</b>	29.0	71.0	0.0	100%

**Geographic Distribution of Loans**

The bank’s AA demographics consist of: zero low or moderate income census tracts, 13 middle income census tracts, and four upper income census tracts. Therefore, an analysis of the bank’s geographic distribution of lending would not be meaningful.

### **Responses to Complaints**

The National Bank of Oak Harbor has not received any written complaints regarding its performance in meeting the credit and deposit needs of its AA during the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.