



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

February 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ocean National Bank
Charter Number: 1254**

**100 Main Street
Kennebunk, ME 04043**

**Office of the Comptroller of the Currency
Boston Duty Station
150 Federal Street, Second Floor
Boston, Massachusetts 02110**

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

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 **Ocean National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 31, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The following primary factors support this bank's overall rating:

- ▶ The average loan to deposit ratio since our prior exam is 67%. This does not include \$2.6 million and \$8.7 million of loans sold into the secondary market in 1995 and 1996, respectively.
- ▶ A substantial majority of originations are within the bank's assessment area.
- ▶ The distribution of originations among borrowers of different income levels is reasonable.
- ▶ A strong record of lending to small businesses.

The following table indicates the performance level of Ocean National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>OCEAN NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not meaningful		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Ocean National Bank (ONB) is a \$ 155 million dollar bank located on the Maine coast in York County. ONB is a wholly-owned subsidiary of Ocean National Corporation, a one bank holding company. ONB's main office is in Kennebunk, ME with seven branches located in Kennebunkport, Wells, South Berwick, York, and Kittery. The South Berwick office is new and opened in 1996. No branches have been closed since our last CRA examination. All branches have convenient banking hours, drive-up facilities, and are open Saturdays. Five of the eight branches have Automated Teller Machines (ATM). ONB maintains seven offsite proprietary ATM's. In conjunction with a third party vendor, ONB also provides services via 32 additional ATM's throughout the state of Maine. As of December 31, 1996, ONB's \$90 million loan portfolio was comprised of 52% residential real estate loans, 41% commercial loans, and 6% consumer loans. There are no financial or legal impediments that would prevent ONB from helping to meet the credit needs of its community.

Competition continues to be strong in this highly banked area. Primary competitors include Kennebunk Savings Bank, Atlantic Bank, Maine Bank and Trust Company, Peoples Heritage and KeyBank. The recent arrival of Credit Unions has intensified competitive forces.

DESCRIPTION OF THE ASSESSMENT AREA

ONB's assessment area was amended during our examination and now includes whole geographies as required by regulation. No low or moderate income geographies are arbitrarily excluded. ONB's assessment area consists of seven middle and three upper income census tracts. There are no low or moderate income census tracts. Eight of the census tracts are located within the Portsmouth - Rochester Metropolitan Statistical Area.

Sixty three thousand (63,000) inhabitants populate the assessment area. Median family income in the area is \$42,650. Median housing value is \$125,000 with the median age of housing stock at 27 years. Total housing units occupied in the area is 72% and consist of owner occupied and rental occupied housing at 57% and 16%, respectively. Vacant housing is high at 26%.

Major employers in the community include Pratt & Whitney of North Berwick and the Kittery/Portsmouth Naval Yard. Hotel and restaurants account for 43% of employment in York County. The local economy is seasonal and supported by summer tourism. Unemployment in the county is currently 3%. The overall Maine economy continues to lag national growth patterns. Personal income rose only .9% vs 1.7% nationally during the second quarter of 1996. Personal bankruptcies are up 42% when compared to 1995 and can be attributed to slow economic growth coupled with high consumer debt.

Housing related lending was described as a primary credit need. Management is also committed to helping to meet the credit needs of small businesses..

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

ONB’s loan to deposit ratio is reasonable. ONB has maintained an average loan to deposit ratio of 67% since our prior CRA examination. Average loan to deposit ratios for the six small banks in York County range from 65% to 80%. By selling loans into the secondary market, ONB has made additional dollars available to help meet the credit needs of the community. Loan sales in 1995 and 1996 were \$2.5 million and \$8.7 million, respectively. Management plans to increase these volumes going forward.

Lending In Assessment Area

Our analysis revealed that a substantial majority of loans originated by ONB are within their assessment area. For 1995 and 1996, HMDA reportable loans revealed that 88% and 83% of the number of loans, and 97% and 81% of the dollars, respectively, were originated within ONB’s assessment area.

In addition, ONB’s lending to small business within their assessment area is strong. Management started to track business loans originated in their assessment area in 1996 and determined that percentage to be 87%.

Lending To Borrowers of Different Incomes and Businesses of Different Sizes

ONB’s distribution of loans among borrowers of different income levels is reasonable and generally reflects the population within their assessment area. The HUD family distribution within each census tract for 1996 indicated that 12%, 18%, 28% and 41% of families were categorized as low, moderate, middle and upper income, respectively. The following table summarizes the distribution of HMDA reportable loans among low, moderate, middle and upper income borrowers within the area.

	LOW		MODERATE		MIDDLE		UPPER	
	\$	#	\$	#	\$	#	\$	#
1995 HMDA	<1%	3%	4%	8%	16%	30%	79%	58%
1996 HMDA	5%	12%	9%	17%	16%	20%	70%	51%

ONB does a very good job lending to small businesses. The June 30, 1996 Consolidated Reports of Condition and Income supports their commitment to small business lending as 83% of the volume of commercial loans were to businesses with revenues less than \$1 million.

Geographic Distribution of Loans

Of the ten census tracts, no tracts were designated as low or moderate income. For this reason, an analysis of the geographic distribution of loans was not meaningful.

Response to Complaints

ONB responses to consumer complaints could not be evaluated as no complaints were received since the last CRA examination.

Fair Lending Examination

A fair lending examination was performed concurrently with this examination. No evidence of illegal disparate treatment was noted. Also, the bank is in compliance with all substantive provisions of the fair lending anti-discrimination laws and regulations.