



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 27, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank Of Oak Harbor
Charter Number 14203**

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

**Comptroller of the Currency
ADC-Cleveland 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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	2
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	2
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	4

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

The major factors that support NBOH's rating include:

- A reasonable net loan-to-deposit ratio.
- A good record of lending within the assessment area.
- A good level of home mortgage and consumer lending to borrowers of different income levels.
- A good level of lending to businesses of different sizes.

DESCRIPTION OF INSTITUTION

National Bank of Oak Harbor (NBOH) is a wholly owned subsidiary of Indebancorp, a one-bank holding company. As of December 31, 2002, Indebancorp had \$123 million in total assets. The bank's main office is located in Oak Harbor, Ohio. The bank operates the main office and two additional full-service branches in Curtice, Ohio and Port Clinton, Ohio. Drive-through facilities and ATMs are offered at each branch location. The bank's focus is retail banking and it offers standard products and services through all three locations.

As of December 31, 2002, NBOH had \$123 million in total assets. Loans represented 66 percent of total assets. The distribution of NBOH's loan portfolio is as follows: real estate loans (75 percent); commercial & industrial loans (7 percent); loans to individuals (16 percent); the remaining (2 percent) is comprised of multiple other loan categories. The bank's real estate loan mix primarily consists of 1-4 family residential (61 percent) and commercial (31 percent) loans.

NBOH was rated "Satisfactory" at its last CRA Performance Evaluation dated October 27, 1999.

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

DESCRIPTION OF ASSESSMENT AREA

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

NBOH's AA includes the non-MSA area of Ottawa County, Ohio and a small portion of the Toledo, Ohio MSA. For the purposes of this performance evaluation, both the MSA and non-MSA areas were combined. Reasons for the combination include the fact that NBOH does not have a branch in the MSA, the MSA geographies are adjacent to the non-MSA geographies and the resulting AA does not extend substantially beyond the non-MSA boundaries.

The bank's AA consists of 17 geographies located in Ottawa, Lucas and Wood counties. Of these geographies, eleven (65%) are middle-income and six (35%) are upper-income. There are no low- or moderate-income geographies in the bank's AA.

The Department of Housing and Urban Development's (HUD) updated 2002 median family income for the AA is \$51,523. The 1990 Census Bureau lists the AA population at 65,672 persons, which comprise 18,620 families. Of these families, 21% are low-income, 17% are moderate-income, 23% are middle-income and 47% are upper-income. Thirty-one percent of the household income in the AA is derived from social security. Households with income below the poverty level are 7%, with 5% of the households relying on public assistance. Housing units consist of 59% owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$71,865.

According to the State of Ohio Bureau of Labor Market Information, the annual average unemployment rate for Ottawa County was 7.6%. Lucas and Wood county average unemployment rates were 6.9% and 4.8% respectively. Both Ottawa and Lucas counties' unemployment rates were higher than the State of Ohio (5.7%) and the national (5.8%) unemployment rates. Within Ottawa County the elderly population continues to rise as the younger population chooses to leave the area due to limited employment opportunities. There is a general lack of major industries in the area with a majority of employment opportunities in the retail and service sectors, with many services of a seasonal nature linked to tourism on Lake Erie.

The current composition of the industry within Ottawa County includes international ownership, international trade (Export/Import), national trade, Inter/Intra-state trade, agri-business, tourism and financial institutions. Major employers are Davis-Besse Nuclear Power Station, Brush Wellman, US Gypsum, Siligan Plastics, Guardian Industries, Magruder Hospital, Scandura and Masoctech Forming Technologies. Tourism is concentrated in the east and north, manufacturing in the center, and agriculture in the western portion of the county.

We determined the community's credit needs by contacting representatives from a local housing and community service agency and an economic development organization. Information regarding community credit needs was also obtained from bank management and the CED Community Affairs Officer.

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

- Affordable housing (i.e. single family rental, multifamily rental, homeownership and rehabilitation) for low- and moderate-income individuals. First-time homeowners, credit counseling and budget guidance were also identified needs.
- Affordable home improvement and rehabilitation loans for low-and moderate-income individuals. This issue was noted given that the current housing stock is old with an average build year of 1960.
- Small business working capital loans to existing and start-up businesses in amount of \$100 thousand and less. Technical assistance to new and existing small businesses was also identified as a need.
- In-kind and social services to low- and moderate-income families, including child care services, counseling and job training, credit and home ownership counseling, food

donation and health care services.

Financial institutions located within the bank's AA include small local community banks and branches of regional and large national institutions. NBOH's major competitors within its AA include Huntington National Bank representing 23% of the deposit market share, Genoa Banking Company with 13%, U.S. Bank, N.A with 9%, and Keybank, N.A. with 9%. NBOH holds approximately 17% of the deposit market share within its AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition and the AA credit needs. NBOH's loan-to-deposit (LTD) ratio as of December 31, 2002 was 78.26% and its average LTD over the previous 17 quarters was 90.12%. For analysis purposes, NBOH's current and 17-quarter average LTD ratios were compared with a peer group consisting of banks of various sizes and similar purpose competing within the same AA. The analysis shows that NBOH's LTD ratios are slightly higher than the peer group's 4Q02 LTD ratio of 77.36% and 17-quarter average of 72.44%. This is due primarily to a spike in NBOH's LTD ratios during the latter part of 1999 and calendar year 2000. During that time period, the bank's commercial lending increased significantly as a result of the Port Clinton branch opening.

Lending in Assessment Area

NBOH's record of lending within its AA meets the standards for satisfactory performance. A majority of the loans originated by the bank were located within its AA. Our conclusions are based on a sample of 20 loans per product type originated by the bank during the evaluation period. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$	%	#	%	\$	%
Home Mortgage	19	95.00	1614	96.36	1	5.00	61	3.64
Consumer	16	80.00	3059	97.20	4	20.00	88	2.80
Commercial	18	90.00	233	92.09	2	10.00	20	7.91
Total	53	88.33	4906	96.67	7	11.67	169	3.33

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

Overall lending to borrowers of different incomes levels and to businesses of different sizes is

satisfactory and reflects reasonable penetration. Based on volume, we placed more weight on the bank’s consumer lending performance. During the evaluation period, NBOH originated 1,679 (66%) consumer loans, 474 (19%) commercial loans and 408 (15%) home mortgage loans. The tables below detail the bank’s lending to borrowers of different income levels by number of loan originations and dollar volume during the evaluation period.

The bank’s distribution of residential real estate lending reflects adequate penetration among individuals of different income levels including low- and moderate-income borrowers. Since NBOH is not a HMDA reporter, our conclusions are based on a sample of twenty-three residential real estate loans originated by the bank during the previous 24-month period. NBOH does not distinguish between home mortgage products by class code or file system. As a result, this category may contain a combination of home purchase, home improvement, and home refinance loans. Affordable home mortgage lending was also an identified credit need of the community.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	2	8.70	74	4.22	13.31
Moderate	2	8.70	42	2.39	16.56
Middle	9	39.13	514	29.30	23.26
Upper	10	43.48	1124	64.08	46.87

The bank’s distribution of consumer lending reflects excellent penetration among individuals of different income levels, particularly with respect to low- and moderate-income borrowers. Our conclusions are based on a sample of twenty-four consumer loans originated by the bank during the previous 24-month period.

Distribution of Lending by Borrower Income Level					
	Consumer Loans				Percentage of Households in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	4	16.67	77	25.84	16.80
Moderate	7	29.17	69	23.15	14.70
Middle	11	45.83	118	39.60	19.10
Upper	2	8.33	34	11.41	49.40

Lending to businesses of different sizes was reasonable. In order to determine the bank’s performance of lending to businesses of different sizes, we selected a sample of twenty-three loans. Nineteen of the twenty-three loans were made to businesses with gross annual revenues less than \$1 million. This represents 83% of the loans in the sample. Census data for businesses in the AA that reported revenue indicated that 93% of those businesses had gross annual revenues less than or equal to \$1 million. Additionally, 83% (19 loans) of the small business loans were in amounts less than \$100 thousand, which was an identified credit need of the community.

Geographic Distribution of Loans

The bank's AA does not contain any low- or moderate-income geographies. As such, a geographic distribution would not be considered meaningful.

Responses to Complaints

NBOH has not received any written complaints regarding its performance meeting the credit and deposits needs of its AA during the evaluation period.

Fair Lending Review

An analysis of public comments and consumer complaint information regarding the bank's CRA performance was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.