



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 22, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Montpelier
Charter Number 13912**

**1201 East Main Street
Montpelier, OH 43543**

**Comptroller of the Currency
ADC-Lower Peninsula of Michigan
Omni Officentre, Suite 411
26877 Northwestern Highway
Southfield, MI 48034**

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 Montpelier (NB of Montpelier) has demonstrated an excellent record of originating loans to individuals of different income levels, particularly low- and moderate-income borrowers.
- A majority of the bank's loans were made within its designated assessment area (AA).
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA. Additionally, the geographic distribution of loans is similar to the demographic composition of the bank's AA.
- NB of Montpelier's loan-to-deposit ratio meets the criteria for satisfactory performance. This ratio is slightly lower than the bank's state peer group, which includes banks of similar size.

DESCRIPTION OF INSTITUTION

The NB of Montpelier is a full-service community bank headquartered in Montpelier, Ohio. The bank has no subsidiaries. NB of Montpelier is a wholly owned subsidiary of a holding company, NBM Bancorp, Inc. with assets of \$114.5 million as of September 30, 2003. The NB of Montpelier represented 100 percent of the total assets and gross income of the holding company year-to-date ending September 30, 2003.

NB of Montpelier is a five-branch, intrastate bank with one branch each in Bryan, Pioneer, West Unity, and two in Montpelier, Ohio. NB of Montpelier provides drive-through service windows at its main branch in east Montpelier and the Bryan, Pioneer and West Unity branches. There are also ATMs connected to the main branch in east Montpelier and the branches in Bryan, Pioneer and West Unity.

As of December 31, 2003, NB of Montpelier's total assets were \$115 million. NB of Montpelier's loan portfolio represented 46.1 percent of total assets for the period, and Tier One capital was \$16.7 million. NB of Montpelier's primary focus is residential mortgage lending and consumer lending. Other lending products include business and agricultural loans. Consideration was given to the bank's record of performance from the previous evaluation period of January 4, 1999 through January 5, 2004. Lending data from January 1, 2002 through December 31, 2003 was primarily used.

As of the date of this evaluation, NB of Montpelier does not have any financial, legal, or other impediments restricting its capacity to serve the community. NB of Montpelier was rated satisfactory during the last CRA evaluation, which was conducted on January 4, 1999.

DESCRIPTION OF ASSESSMENT AREA

NB of Montpelier has one AA, which consists of the county of Williams, Ohio. All five branches are located within Williams County. The AA consists primarily of small towns and rural communities. The AA is comprised of nine geographies, two of which were designated as upper income and the remainder as middle income as a result of the 1990 census. As of the 2000 census, all nine geographies in the AA are designated middle income. There are no moderate- or low-income geographies in the AA and none are arbitrarily excluded. The AA meets the requirements of the regulation.

The Ohio state unemployment rate as of December 31, 2003 (seasonally adjusted) is 6.0 percent, which is slightly lower than the unemployment rate for Williams County of 6.2 percent for the same period. Major employers include manufacturing companies, school systems, and a hospital. The slightly higher unemployment rate is primarily due to unfavorable economic conditions.

Several financial institutions provide competition in the AA. Currently there are two large commercial banks, one federal savings and loan bank, one midsize bank, one bank specializing in servicing local farmers and merchants, two community banks, and two credit unions servicing Williams County. Other institutions and mortgage brokers not located in the bank's AA also provide home lending services.

The bank's primary lending and deposit base is in Williams County. NB of Montpelier held 14.31 percent of the deposit market share in this county as of June 30, 2003. NB of Montpelier's deposit market share ranks fourth behind three large financial institutions with combined market share of 65.52 percent of deposits in Williams County.

One community contact was made during this evaluation. The community contact is a well-established real estate broker in Montpelier. According to the community contact, the biggest challenge facing the AA is providing moderate-priced housing to the community. According to the contact, there is a need for moderate-priced housing but the demand is not strong enough to attract investment by a developer in a large project. The contact concluded that the banks in the area are meeting the needs of the community.

The 2003 HUD estimated non-metropolitan area median family income level for Ohio counties not within a metropolitan area (MA), based on 2000 US census data, was \$50,600 for Williams County. The average price of housing in the AA, based on average selling price for twelve months ending December 31, 2003, was about \$94,700.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio meets the criteria for satisfactory performance and demonstrates a willingness to provide financial services to the community it serves. NB of Montpelier's

average quarterly loan-to-deposit ratio for the 20 quarters ending December 31, 2003 was 67.11 percent.

Based on a review of uniform bank performance report information going back 12 months to December 31, 2002, NB of Montpelier's loan-to-deposit ratio was slightly lower than average peer, which showed a quarterly average net loan-to-deposit ratio of 73.50 percent for the one-year period. NB of Montpelier's peer group includes commercial banks in Ohio with total assets between \$100 million to \$300 million. NB of Montpelier's loan-to-deposit ratio is impacted by the sale of residential mortgages in the secondary market.

The examination found NB of Montpelier was active in meeting the credit needs of the community, especially in the area of residential housing. During 2002 and 2003, NB of Montpelier originated 567 loans for home purchases and refinances totaling approximately \$39.7 million. During the same period of time, the bank originated 1,470 consumer loans including home improvement and mobile home loans totaling about \$8 million. NB of Montpelier also originated 106 commercial loans totaling approximately \$7.6 million and 103 agricultural loans totaling about \$3.4 million.

Lending in Assessment Area

A majority of loans are in the bank's AA. This meets the standard for satisfactory performance. During the evaluation we sampled loans from each of the bank's primary loan types. The loans were originated during the time period of January 2002 through December 2003. Table 1 below indicates that about 90 percent of the loan dollars sampled and 85 percent of the number of loans sampled during our evaluation were within the bank's AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	53	88.33	7	11.67	60	3,611,330	90.17	393,800	9.83	4,005,130
Consumer Loans	49	81.67	11	18.33	60	385,328	87.06	57,276	12.94	442,604
Totals	102	85.00	18	15.00	120	3,996,658	89.86	451,076	10.14	4,447,734

Source: Random sample of loans from the bank's consumer and residential mortgage portfolios originated during 2002 and 2003.

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

The bank's lending to borrowers of different income levels is excellent. NB of Montpelier's primary product lines include residential mortgage loans and consumer loans. The largest dollar volume of originations for the review period was residential mortgage loans. Consumer loans represented the largest numerical volume of loans made during the period. The sample included 53 residential mortgage loans. Of these loans, 28 were originated during 2002 and represented about \$1.761 million. The 2003 sample included 25 residential mortgage loans and represented about \$1.850 million. The consumer loan sample for the same period included 49 originations.

Of these, 24 loans were originated in 2002 and represented about \$151,000. Twenty-five loans were originated during 2003 and represented about \$235,000.

The bank's distribution of residential mortgage loans to borrowers of different income levels is very good as shown in Tables 2-1 and 2-2 below. Lending to low-income borrowers represents a good percentage of families in the AA identified as low income according to U.S. Census data. Lending to moderate-income borrowers represents a very good percentage of families in the AA identified as moderate income according to U.S. Census data.

Table 2-1 Borrower Distribution of Residential Real Estate Loans made during 2002 in Williams County as compared to 1990 U.S. Census Data								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	13.22%	7.14%	16.89%	42.86%	27.50%	32.14%	42.39%	17.86%

Source: Random loan sample of 2002 originations; 1990 U.S. Census data.

Table 2-2 Borrower Distribution of Residential Real Estate Loans made during 2003 in Williams County as compared to 2000 U.S. Census Data								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	12.26%	16.00%	19.92%	20.00%	27.33%	44.00%	40.49%	20.00%

Source: Random loan sample of 2003 originations; 2000 U.S. Census data.

The bank's distribution of consumer loans to borrowers of different income levels is excellent compared to the percentage of households in low- and moderate-income categories, as shown in the Tables 3-1 and 3-2 below. Lending to low- and moderate-income borrowers represents a very good percentage of households in the AA identified as moderate income according to U.S. Census data.

Table 3-1 Borrower Distribution of Consumer Loans made during 2002 in Williams County as compared to 1990 U.S. Census Data				
Borrower Income Level	Low	Moderate	Middle	Upper

	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	18.15%	20.83%	15.21%	50.00%	21.50%	16.67%	45.14%	12.50%

Source: Random loan sample of 2002 originations; 1990 U.S. Census data.

Table 3-2 Borrower Distribution of Consumer Loans made during 2002 in Williams County as compared to 1990 U.S. Census Data								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	17.30%	20.00%	17.21%	32.00%	21.43%	24.00%	44.06%	24.00%

Source: Random loan sample of 2002 originations; 1990 U.S. Census data.

Geographic Distribution of Loans

A meaningful geographic distribution analysis based on demographics could not be performed, as there are no low- or moderate-income geographies in the AA. NB of Montpelier's geographic distribution of loans reflects a reasonable dispersion throughout the AA. During the evaluation we sampled 102 loans made in the bank's AA. Based on the sample, NB of Montpelier's lending is reasonably dispersed throughout the AA.

Community Development Activities

NB of Montpelier has addressed the community's needs through community development lending and community development services. The bank provided funds to support community development activities totaling about \$24,000 from 2000 through 2003. During the period, NB of Montpelier provided approximately \$671,000 for community development loans for affordable housing in the AA and a \$175,000 community development loan for affordable housing within the region.

Bank employees and board members volunteered their time to participate in organizations that provide community services to low- and moderate-income people. Some of the organizations provide services such as free dinners, scholarships, and general care for low- to moderate-income individuals. Bank employees volunteered time to counsel senior citizens on identity-fraud.

Responses to Complaints

NB of Montpelier has not received any complaints that affect the bank's Community Reinvestment Act rating.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.