

PUBLIC DISCLOSURE

December 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Hocking Valley Bank
043903850000
7 West Stimson Ave.
Athens, Ohio

Supervisory Agency: Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101-1387

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 The Hocking Valley Bank, Athens, Ohio, prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of December 15, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The assessment of the record of The Hocking Valley Bank ("HVB") takes into account the bank's financial capacity and size, legal impediments, and local economic conditions and demographics, including the competitive environment in which it operates.

Several factors support HVB's "Outstanding" rating. First, the bank's loan-to-deposit ratio is consistently high and evidences an active lending program. Second, the bank extends a substantial majority of its loans and a majority of the number of the bank's loans is made within its assessment area. Third, based on an analysis of the bank's loans, the bank has an excellent record in lending to borrowers of different income levels and to small businesses. Finally, the bank has demonstrated its commitment to serving moderate-income areas not only by extending loans to individuals and businesses located in these areas, but also by operating branches that significantly enhance the availability of credit in its assessment area.

DESCRIPTION OF INSTITUTION

Based on its size and financial condition, HVB effectively meets the credit needs of the assessment area. The bank operates six branch offices, Athens (4), Albany, and Coolville, Ohio. HVB serves all of Athens County, Ohio. HVB's six (6) ATMs have 24-hour access.

According to the September 30, 1997, Uniform Bank Performance Report (“UBPR”), the most recent report available, the bank had total assets of approximately \$114 million. Since March 31, 1996, the bank’s loans and deposits have increased approximately \$9.0 million and \$5.5 million respectively. In addition, since March, the bank’s total assets increased by approximately \$6.0 million. The bank’s average loan-to-deposit ratio for the past seven quarters approximates 82%. Its loan-to-deposit ratio has increased slightly since the previous CRA evaluation. The bank’s portfolio is comprised of approximately 54% real estate, 15% consumer, 28% commercial loans, and 3% other loans.

The bank offers a variety of loan products to fulfill the credit need of residents and businesses within its assessment area. It extends consumer open- and closed-end, fixed residential real estate, construction, agriculture, and commercial loans. In addition to offering these conventional loan products, the bank also offers special interest rate community development loan programs.

There are no legal or financial impediments that would prevent the bank from helping to meet the credit needs of its community.

DESCRIPTION OF THE HOCKING VALLEY BANK ASSESSMENT AREA

HVB defines its assessment area as Athens County, Ohio. All of the bank's offices are located in this assessment area.

CRA divides income levels for individuals into four categories: low-, moderate-, middle-, and upper-income. HVB's assessment area consists of 1 low-income, 6 moderate-income, 4 middle-income, and (2) upper-income census tracts.¹ As of the 1990 According to 1990 census data, the population for the assessment area is 59,549. The census data the median household income and the median family income for HVB's assessment area are \$19,170 and \$25,704 respectively. These figures are lower than the median household and median family incomes for Non-Metro, Ohio, which is \$25,910 and \$30,563 respectively. The bank's median household and median family incomes are also lower than the State of Ohio's median household and median family incomes, which are \$28,706 and \$34,351 respectively.

¹**NOTE:** Low-, moderate-, middle-, and upper-income are defined as follows:

Low-income: Up to 50% of the median MSA family income

Moderate-income: Greater than 50% up to 80% of the median MSA income.

Middle-income: Greater than 80% up to 120% of the median MSA family income.

Upper-income: Greater than 120% of the median family income.

According to 1990 census data, the population for the assessment area is 59,549. The following table shows the assessment area's population distribution by census tract income level.

POPULATION DISTRIBUTION BY CENSUS TRACT		
	Population	Percentage
Low-income	13,086	22.0%
Moderate-income	23,647	39.7%
Middle-income	15,781	26.5%
Upper-income	7,035	11.8%

Examiners conducted one local community contact as part of the bank's CRA evaluation. Information from this contact was used to evaluate HVB's CRA performance.

According to the community contact and bank management, the economy in the bank's assessment area is distressed and has the highest number of individuals at or below the poverty level. The area is generally classified as part of Appalachia. Local unemployment is approximately 4.4%, compared with the state rate of approximately 4.2% as of November 1997, and reported in the November 1997 Ohio Labor Force bulletin. However, the local unemployment rate fails to incorporate the many individuals who have used up all of their unemployment benefits and remain unemployed. Major economic forces in the area are Ohio University, O'Bleness Memorial Hospital, Athens City School District, and the City and County of Athens, Ohio.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's CRA performance was analyzed using interagency examination procedures. The analysis included the following criteria:

- the loan to deposit ratio averaged over the past seven quarters;
- lending activity inside and outside the bank's assessment area;
- the reasonableness of the geographic distribution of loans within the bank's assessment area;
- the record of lending to borrowers with varying income levels;
- the distribution of loans to businesses and farms of different sizes; and
- the bank's response to any written complaints concerning its performance in helping to need the credit needs within its assessment area.

Loan-to-Deposit Ratio Analysis

For a bank of its size, location, and financial condition, HVB's loan-to-deposit ratio

exceeds the standards for satisfactory performance at 84%. The ratio was calculated by averaging HVB's most recent seven quarterly loan-to-deposit ratios. The loan-to-deposit ratio was evaluated in terms of the bank's capacity to lend, the loan-to-deposit ratios of similarly situated (peer) and competitor banks, and available lending opportunities in the assessment area.

HVB's loan-to-deposit (83%) ratio exceeds that of its national peer group (74%). The loan-to-deposit ratio calculations are detailed in the table below:

Date	Loans (In thousands)	Deposits (In thousands)	Loan-to-Deposit Ratio
March 31, 1996	\$74,758	\$94,122	79%
June 30, 1996	\$75,530	\$92,237	82%
September 30, 1996	\$77,114	\$93,164	83%
December 31, 1996	\$77,582	\$96,003	81%
March 31, 1997	\$79,194	\$97,791	81%
June 30, 1997	\$81,173	\$99,390	82%
September 30, 1997	\$83,773	\$99,572	84%
7 Quarter Average			82%

As of the most recent UBPR, the bank's loan-to-deposit ratio was 83%, which places HVB in the 73rd percentile in relation to its peer group. HVB faces stiff competition from other financial institutions in its assessment area. Based on loan demand and the lack of any identified unmet credit needs, the bank's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Comparison of Credit Extended Inside and Outside the Assessment Area

A review of a statistical sample of the loans originated by the bank since the previous CRA evaluation reveals that a majority of its loans were made inside its assessment area. The following table shows the percentages for number and dollar volume of those major loan product lines sampled that were made inside the assessment area.

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA

<u>Major Loan Product Lines</u>	<u>Total Number of Loans</u>	<u>Total Amount of Loans</u>
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Consumer	80%	78%
Commercial/AG	84%	90%
Residential	86%	86%

This level of concentration in the assessment area exceeds the standards for satisfactory performance. These loan categories represent approximately 97% of the bank's loan portfolio, and the vast majority of these loans, both by number and by dollar amount, were originated inside the assessment area.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

HVB's record of lending to borrowers of different income levels is very good and, as such, exceeds the standards for satisfactory performance. Our sampling indicates that the bank provides consumer, commercial/agricultural, and residential loans to individuals of all different income levels as shown in the table below.

DISTRIBUTION OF LOANS IN THE ASSESSMENT
AREA BY BORROWER INCOME LEVEL

<u>Loan Type</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
Consumer				
Total Number of Loans	56%	26%	12%	6%
Total Amount of Loans	54%	18%	20%	7%
Residential				
Total Number of Loans	9%	27%	23%	42%
Total Amount of Loans	5%	23%	17%	55%

The data in the table indicate that the bank originated 82% of its consumer and 36% of its aggregate residential loans to low- and moderate- income individuals. These levels of lending reflect an excellent record of lending to borrowers of different income levels.

Analysis of the distribution of small business and farm loans throughout the bank's assessment area by income level of borrower reveals that the bank is originating small loans to small entities regardless of income level. Approximately 100% of the small business loan operations in the assessment area that were reviewed had revenues less than \$1,000,000; and 95% of the loans were for less than \$100,000. The bank's emphasis on small business lending represents 28% of HVB's loan portfolio. Consumer and residential loans represent 15% and 54% respectively of HVB's loan portfolio to low- and moderate-income borrowers. Both factors demonstrate a strong commitment to meeting the credit needs of all segments of the community and exceed the standards for satisfactory performance.

Geographic Distribution of Loans

The distribution of the bank's loans between geographies of different income levels is very good. As previously discussed, the bank's assessment area includes 1 low-income, 6 moderate-income, 4 middle-income, and 2 upper-income tracts. Approximately 61.7% of

the population resides in the low- and moderate-income tracts, 26.5% resides in the middle-income tracts, and there are 11.8% individuals residing in the upper-income tracts. As the following table illustrates, HVB's lending patterns is reasonable.

DISTRIBUTION OF LOANS IN ASSESSMENT AREA GEOGRAPHIES

<u>Loan Type</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
Consumer				
Total Number of Loans	0%	48%	23%	30%
Total Amount of Loans	0%	47%	27%	33%
Commercial/AG				
Total Number of Loans	0%	18%	5%	77%
Total Amount of Loans	0%	10%	2%	88%
Residential				
Total Number of Loans	5%	23%	48%	24%
Total Amount of Loans	14%	25%	41%	20%

As shown above, the percentages of consumer, commercial/agricultural, and residential loans in the low- and moderate-income tracts closely resemble the percentages of assessment area residents living in these tracts. Because the majority of HVB's assessment area residents live in moderate and middle-income tracts, it is reasonable to find the highest percentage of loans originated in these tracts. In addition, the one low-income tract consists entirely of Ohio University student housing units. Accordingly, 22% of the population is comprised of Ohio University students, and comparison should be made to the moderate-income populace of approximately 39.7%. As such, the bank's geographic distribution of loans is reasonable.

Investments and Services

The bank's level of qualified investments and services significantly improves individual's access to credit in the assessment area. Since the last evaluation, the bank completed financing for five homes that were renovated and rented to low-income individuals within the Rural Action Community Development Organization. The bank has also provided financing to RE-USE Industries which provides discarded appliances to low-income individuals of Appalachia. Last, the bank provides a toll-free 24-hour touch-tone account inquiry service (MoneyTalk\$). This service provides customer balance inquiries, loan inquiries, and interest rate quotes.

General Comments

The evaluation did not reveal any practices that are inconsistent with the substantive provisions of the fair lending and fair housing laws and regulations. In addition, the bank has not received any CRA complaints since the previous evaluation (which was performed by the FDIC).

