

PUBLIC DISCLOSURE

June 30, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: Apollo Trust Company
#04420189
201 North Warren Avenue
Apollo, Pennsylvania 15613

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.

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I. 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 Apollo Trust Company prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of June 30, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

II. DESCRIPTION OF INSTITUTION

Apollo Trust Company ("ATC") is a subsidiary of Apollo Bancorp, Inc. Both ATC and Apollo Bancorp ("Bancorp") are headquartered in Apollo, Pennsylvania. Apollo Internet, Inc., is Bancorp's only other subsidiary and was organized to expand electronic banking services and Internet access. ATC had total assets of \$103 million as of March 31, 1997, which comprised nearly 100% of Bancorp's total assets.

Apollo Trust Company operates 5 branches located in Apollo, North Apollo, Spring Church, and Leechburg. These branches serve a wider assessment area known as the Strongland area. A detailed discussion of the bank's assessment area can be found in the "Description of Assessment Area" section of this report. ATC is a full-service financial institution with a primary business focus on consumer lending. Table 1 presents several key financial ratios for Apollo Trust Company.

Table 1 Key Financial Ratios as of March 31, 1997		
Ratio	Bank	Peer
Return on Average Assets	.52%	1.31%
Net Loans & Leases to Average Assets	56.43%	61.71%
Investments to Average Assets	35.52%	27.21%
Total Deposits to Average Assets	84.99%	86.78%
Net Loans & Leases to Total Deposits	66.04%	71.51%
1-4 Family Residential Loans to Average Loans	38.38%	32.96%
Consumer Loans* to Average Loans	42.10%	16.02%
Commercial Loans** to Average Loans	17.65%	31.67%

* Includes loans to individuals and credit card loans.

** Includes commercial and industrial loans, commercial real estate loans, and construction and development loans

While ATC's return on average assets is below peer for the first quarter of 1997, the bank typically approximates peer. For example, the return on

average assets as of December 31, 1996, was 1.32% compared with 1.31% for peer. The above ratios demonstrate the bank's emphasis on consumer lending.

Apollo Trust Company's asset size and financial condition indicate that it has the ability to meet the credit needs of its assessment area. There are no legal or other impediments that would hamper ATC's ability to meet the community's credit needs.

III. DESCRIPTION OF ASSESSMENT AREA

Apollo Trust Company has defined the Strongland area in Pennsylvania as its assessment area. This assessment area complies with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies (i.e., census tracts or block numbering areas).

The assessment area includes four geographies in Armstrong County (9813, 9814, 9815.98, and 9816) and ten geographies in Westmoreland County (8010, 8011, 8012, 8013, 8014, 8015, 8016, 8017.01, 8017.02, and 8018). See Appendix A for a map of the bank's assessment area. Tables 2 and 3 present relevant demographic information for the Strongland area. The area median household income and the area median family income for the Strongland area are \$25,516 and \$30,292, respectively. Households are defined as all persons occupying a housing unit, while families are defined as a household with occupants related by birth, marriage, or adoption.

Table 2 Demographic Data by Geography					
Type of Geography*	# and % of Geographies	# and % of Population	# and % of Households	# and % of HH that are Families	# and % of OO** Units
Low-Income	0 0%	0 0%	0 0%	0 0%	0 0%
Moderate-Income	4 29%	10,020 17%	4,337 19%	2,860 16%	2,809 15%
Middle-Income	10 71%	49,659 83%	18,647 81%	14,700 84%	15,701 85%
Upper-Income	0 0%	0 0%	0 0%	0 0%	0 0%
Total	14	59,679	22,984	17,560	18,510

* Geographies are classified as follows: low-income geographies have median family incomes less than 50% of the area median family income, moderate-income geographies have median family income from 50% to less than 80% of the area median family income, middle-income geographies have median family income from 80% to less than 120% of the area median family income, and upper-income geographies have median family income equal to or greater than 120% of the area median family income.

** Owner-occupied units

This table indicates that there are no low-income or upper-income geographies within the bank's assessment area. The Strongland area is comprised predominantly of middle-income geographies, and the majority of the population, households, families, and owner-occupied housing units are located within those middle-income geographies.

Table 3 Demographic Data by Income Level				
Income Level*	Number of Households	% of Households	Number of Families	% of Families
Low-Income	5,277	23%	3,444	20%
Moderate-Income	4,041	18%	3,737	21%
Middle-Income	4,415	19%	4,081	23%
Upper-Income	9,251	40%	6,298	36%
Below Poverty Level**	2,736	12%	1,593	9%

* Household/Family income levels are classified as follows: low-income households/families have median household/family incomes less than 50% of the area median household/family income, moderate-income households/families have median household/family income from 50% to less than 80% of the area median household/family income, middle-income households/families have median household/family income from 80% to less than 120% of the area median household/family income, and upper-income households/families have median household/family income equal to or greater than 120% of the area median household/family income.

** Subset of low-income households/families

This table indicates that, although there are no low-income or upper-income geographies, there are households and families at all income levels living within the Strongland area. The households and families are fairly evenly distributed among low-, moderate-, and middle-incomes, while a substantial percentage of the households and families have upper-incomes. Of the low-income households and families, approximately 50% are below the poverty level.

The assessment area has 24,455 housing units. Of these units, 76% are owner-occupied, 19% are rental units, and 6% are vacant. One-to-four family units comprise 85% of the housing stock, while multi-family units of five or more comprise 5% and mobile homes comprise 10% of the remaining housing stock. The median housing value is \$53,837 and the median gross rent is \$311 per month. The median housing age is 44 years, with 39% of the housing stock built prior to 1950.

The local economy is good and has experienced a steady growth rate.

Table 4 details the unemployment rates by county as compared with the respective state and national averages for April 1997.

Table 4 Unemployment Rates as of April 1997	
Armstrong County	7.4%
Westmoreland County	5.6%
Commonwealth of Pennsylvania	5.3%
United States	4.8%

The service, retail, manufacturing, and government industries employ the majority of the labor force. Major employers include, but are not limited to, Allegheny Ludlum Corporation, PPG Industries, Alcoa Technical Center, Eljer Manufacturing, Westinghouse Electric Corporation, and Mine Safety Appliances Company. Approximately 96% of the business establishments in Westmoreland County employ less than 50 employees. Similar information is not available for Armstrong County.

Two community contacts were conducted in conjunction with the examination to assess the economic development of the Strongland area. Both contacts, as well as information provided by the Research Department of this Reserve Bank, indicate that the Strongland area continues to prosper. The primary needs identified through these contacts included both consumer loans and business loans, especially small business loans.

IV. INSTITUTION RATING

This institution is rated satisfactory.

Major factors contributing to this rating include:

- ! a reasonable loan-to-deposit ratio,
- ! an excellent percentage of loans inside assessment areas,
- ! an excellent distribution of loans throughout the assessment area geographies, and
- ! a good penetration of loans among retail customers of different income levels.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-To-Deposit Ratio

The loan-to-deposit ratio reflects the level of deposited funds reinvested in the community through loans. An average loan-to-deposit ratio of 60.6% was calculated using the ratios from the nine quarters between March 1995 and March 1997. The bank's loan-to-deposit ratio has significantly improved from 56.6% on March 31, 1995, to 66.0% as of March 31, 1997. This ratio is slightly below the peer of 71.5% for similar banks on March 31, 1997, primarily due to the bank's consumer loan focus. As previously mentioned, a majority of the bank's lending activity is in residential and personal consumer loans. These types of loans are generally for a smaller dollar amount than commercial loans. Peer banks with more of a commercial loan focus can make fewer large dollar loans and still maintain a high loan-to-deposit ratio. An average ratio of 60.6% is reasonable for ATC given its size, financial condition, competition, and assessment area.

Several of the bank's loans have been made to promote economic development and affordable housing throughout the Strongland area. The bank made two loans to the Armstrong County Industrial Development Authority to help establish a business incubator. Four mortgage loans were made to Kiski Valley Opportunities Unlimited to provide affordable housing for the mentally challenged. Community development loans were also made to the Western Pennsylvania Development Corporation and several local and county government offices.

Lending Within the Assessment Area

To determine the level of lending within the bank's assessment area, all consumer loans originated during the first six months of 1997 and all loans reported on the bank's 1996 Home Mortgage Disclosure Act Loan/Application Register were analyzed to determine the geographic location of the loans. These consumer loans were categorized into home purchase loans, refinance loans, home improvement loans, home equity loans, motor vehicle loans from branch offices (direct), motor vehicle loans from automobile dealers (indirect), and other consumer loans.

Table 6 shows the number and amount of the bank's lending inside of its assessment areas by loan product.

Table 6				
Lending Within Assessment Areas by Loan Product				
Loan Type	Number of Loans	% of Total Loans	Amount of Loans *	% of Total Loans
Home Purchase	34	81%	\$1,560	80%
Refinance	107	96%	\$4,574	95%
Home Improvement	55	96%	\$1,166	91%
Home Equity	33	100%	\$940	100%
Motor Vehicle - Direct	43	88%	\$466	91%
Motor Vehicle - Indirect	212	63%	\$2,670	62%
Other Consumer	263	91%	\$1,001	80%
Total	747	81%	\$12,377	83%

* In thousands

A total of 917 consumer loans were originated totaling approximately \$14.9 million. Of these totals, 747 consumer loans (81%) totaling approximately \$12.3 million (83%) were within the bank's assessment area. Most loan

product categories have a significant majority of the loans within the assessment area. The only exception is the indirect motor vehicle loans. This percentage is lower because the bank receives loan applications from several automobile dealers which serve a wider geographic area than the bank's assessment area.

Geographic Distribution

A review of lending within the bank's assessment area indicates a high level of lending to all fourteen geographies. Tables 7 and 8 show the number and amount of the bank's consumer lending in each category of geography as a percentage of the number and amount of total consumer lending within the fourteen geographies. Table 7 compares the home purchase, refinance, home improvement, and home equity loans to the percentage of 1-4 family and owner-occupied units. Table 8 compares the direct and indirect motor vehicle loans and other consumer loans to the percentage of population, households, and families.

Table 7 Distribution of Consumer Loans Secured by Real Estate by Geography				
Type of Loan	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Home Purchase Loans *	0% 0%	35% 32%	65% 68%	0% 0%
Refinance Loans *	0% 0%	18% 11%	82% 89%	0% 0%
Home Improvement Loans *	0% 0%	24% 14%	76% 86%	0% 0%
Home Equity Loans *	0% 0%	30% 56%	70% 44%	0% 0%
One-to-four family units **	0%	21%	79%	0%
Owner-Occupied Units**	0%	15%	85%	0%

* Number and amount of consumer loans as a percentage of total consumer loans within the assessment area.

** Percentage of total units.

Table 7 shows that ATC's percentage of consumer lending secured by real estate in moderate-income geographies significantly exceeds the percentage of 1-4 family units and owner-occupied units within the moderate-income geographies.

Table 8 Distribution of All Other Consumer Loans by Geography				
Type of Loan	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Motor Vehicle - Direct *	0% 0%	26% 22%	74% 78%	0% 0%
Motor Vehicle - Indirect *	0% 0%	21% 19%	79% 81%	0% 0%
Other Consumer *	0% 0%	23% 18%	77% 82%	0% 0%
Population **	0%	17%	83%	0%
Households **	0%	19%	81%	0%
Families **	0%	16%	84%	0%

* Number and amount of consumer loans as a percentage of total consumer loans within the assessment area.

** Percentage of total units, population, households, or families.

Table 8 shows that ATC's percentage of all other consumer lending in moderate-income geographies slightly exceeds the percentage of population, households, and families living within those moderate-income geographies.

ATC's geographic distribution of loans reflects excellent penetration throughout the assessment area.

Borrower Distribution

Table 9 shows the number and amount of the bank's consumer lending in

each category of borrower income as a percentage of the number and amount of total consumer lending. Lending percentages are compared to the percentage of population in each income category.

Table 9 Distribution of Consumer Loans by Borrower Income				
Type of Loan	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Home Purchase Loans *	0% 0%	32% 23%	29% 28%	38% 48%
Refinance Loans *	7% 3%	16% 12%	30% 29%	48% 56%
Home Improvement Loans *	16% 5%	20% 19%	29% 21%	35% 55%
Home Equity Loans *	12% 11%	12% 12%	44% 32%	32% 45%
Motor Vehicle Loans - Direct *	17% 16%	21% 16%	24% 28%	38% 40%
Motor Vehicle Loans - Indirect *	18% 13%	20% 18%	32% 35%	30% 34%
Other Consumer Loans *	31% 20%	29% 31%	23% 25%	17% 23%
Population **	20%	21%	23%	36%

* Number and amount of consumer loans as a percentage of total consumer loans.

** Percentage of total population.

Table 9 shows that ATC's consumer lending secured by real estate to low-income borrowers is significantly lower than the percentage of low-income population. Consumer lending secured by real estate to moderate-income

borrowers is generally slightly below the percent of moderate-income population; however, home purchase lending to moderate-income borrowers significantly exceeds the percentage of moderate-income population. Direct and indirect motor vehicle lending to both low- and moderate-income borrowers is slightly less than the percentage of low- and moderate-income population; however, other consumer lending to low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income population.

ATC's distribution of loans reflects good penetration among borrowers of different income levels.

Consumer Complaints

No complaints were received by the Federal Reserve Bank of Cleveland or Apollo Trust Company regarding the bank's performance under the Community Reinvestment Act.

Fair Lending Laws and Regulations

No substantive violations of the fair lending laws were noted during the examination; however, several technical violations were noted. ATC's loan policy contained an Equal Credit Opportunity Act statement. Interviews with employees revealed an understanding of the regulatory requirements regarding fair lending.

V. Appendix A

Apollo Trust Company

Apollo, PA

Assessment Area



