

PUBLIC DISCLOSURE

March 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Farmers Bank and Savings Company
043950300000
211 West Second Street
P.O. Box 626
Pomeroy, OH 45769

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 Farmers Bank and Savings Company of Pomeroy, Ohio, prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of March 17, 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 Farmers Bank and Savings Company of Pomeroy ("TFBSCP") has an outstanding record of helping to meet the credit needs of its entire community, consistent with the bank's resources and capabilities.

Accordingly, several factors support the bank's outstanding rating. First of all, TFBSCP's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. Second, a substantial majority of TFBSCP's loans are within its assessment area. Third, geographic distribution of loans reflects excellent dispersion throughout the assessment area. Fourth, the distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels, particularly low- and moderate-income individuals. Finally, the institution's investment record enhances credit availability in its assessment area.

The following table indicates the performance level of The Farmers Bank and Savings Company of Pomeroy, Ohio, with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	The Farmers Bank and Savings Company Pomeroy, Ohio 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	x		
Response to Complaints		No complaints were received since the prior	

		evaluation.	
--	--	-------------	--

DESCRIPTION OF INSTITUTION

The Farmers Bank and Savings Company has three offices: the main office in Pomeroy, a branch in Tupper's Plains, and a new Gallopolis branch, which opened in December 1996. The bank had total assets of approximately \$79 million as of December 31, 1996. Loans comprise 62% of TFBSCP's total assets while investments account for 7%.

Real estate loans are approximately 48% of the bank's lending activity and include residential units and commercial buildings. The remaining lending volume consists primarily of: consumer installment loans (28% of lending activity), agricultural loans and small business loans (12% of lending activity).

TFBSCP offers a wide variety of loan products including, but not limited to, commercial loans, residential real estate loans, consumer and business installment loans, consumer and business time and demand loans, and loans for agricultural purposes.

TFBSCP has no legal or financial constraints which would impede its ability to provide credit to its community. The bank's CRA rating as of its previous examination, September 12, 1994, was "Outstanding."

DESCRIPTION OF TFBSCP's ASSESSMENT AREA

The City of Pomeroy, Ohio, and the surrounding communities served by the bank's offices can generally be described as all of Meigs County, all of Gallia County, Southern Athens County, and Northern Mason County, West Virginia. More specifically, the bank has determined its assessment area to include the following block numbering areas ("BNAs"):

- 9736.00 Athens County, Ohio
- 9737.00 Athens County, Ohio
- 9738.00 Athens County, Ohio
- 9535.00 Gallia County, Ohio
- 9536.00 Gallia County, Ohio
- 9537.00 Gallia County, Ohio
- 9538.00 Gallia County, Ohio

9539.00	Gallia County, Ohio
9540.00	Gallia County, Ohio
9541.00	Gallia County, Ohio
9641.00	Meigs County, Ohio
9642.00	Meigs County, Ohio
9643.00	Meigs County, Ohio
9644.00	Meigs County, Ohio
9645.00	Meigs County, Ohio
9646.98	Meigs County, Ohio
9548.00	Mason County, West Virginia
9549.00	Mason County, West Virginia
9550.00	Mason County, West Virginia

The population and number of households within the assessment area are approximately 83,899 and 31,395, respectively. The median household income in the assessment area is \$20,384 and the median family income is \$24,450. The median family income in Ohio during 1996 was \$37,000. Household income includes the income of all persons residing within a household, whereas family income includes only the income of persons related by blood or marriage living together.

The population is racially homogeneous, with minority groups representing only 2.3% of the population. Specifically, African-Americans constitute 1.5% of the population or 65% of the minority population.

The block numbering areas within the assessment area include no low-income tracts, 9 (47.4%) moderate-income tracts, 10 (52.6%) middle-income tracts, and no upper-income tracts according to the 1990 Census Bureau data.¹ Of the households located within the assessment area, 41% are located in moderate income tract areas. The remaining 59% of the households in the assessment area are located in middle- income tracts. Further, 42% of the population in the assessment area are living in moderate-income tracts and 48% of the population in the assessment area are in middle-income tracts.

Approximately 31,395 families live within the bank's assessment area. Low-income and moderate-income families represented 27.8% and 19.3% of the families in the

¹Low-, 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 family income.
Middle-income: Greater than 80% up to 120% of the median MSA family income.
Upper-income: Greater than 120% of the median MSA family income.

assessment area, while middle-income and upper-income families represented 20.6% and 32.3%, respectively.

Owner-occupied dwellings account for 68.4% of the total housing units within the assessment area. The majority of the remaining housing units are rental units representing 21.2% of the total housing units, with the remaining 10.5% being vacant properties. The median housing value is \$43,607, and the median gross rent is \$287. Approximately 30% of the housing units in the assessment area were built prior to 1950, with the area having a median housing age of 33 years. Of the owner-occupied dwellings within the assessment area, 42% are in moderate-income tracts and 48% are in middle-income tracts. One- to four-family dwellings comprise 73.4% of the housing units within the assessment area, while mobile homes and 5 or more family dwellings comprise 22.1% and 3.5% of the units, respectively.

Manufacturing, service and other, and retail are the predominant industries within the assessment area. Unemployment for February 1997 in the respective Ohio assessment area counties was as follows: Athens County, 7.3%; Gallia County, 11.6%; Meigs County, 14%.² Unemployment in Mason County, West Virginia, for December 1996 was 12.7%.³ The unemployment rates in the bank's four county assessment area were higher than the respective state and national averages (Ohio, 5.9%; West Virginia, 7.4%; National Average, 5.7%).

One community contact was conducted during the examination. The contact provided information used in developing the performance context for the assessment area. The bank's four-county assessment area is primarily industrial, with coal mining and oil refineries continuing to be the area's top employers. Local officials estimate there is 10 to 20 years of coal production remaining locally. Accordingly, the potential closing of the coal mines continues to leave the area in a state of economic uncertainty. Since the last examination the local community has intensified efforts to diversify and attract new industry, making modest progress. The closing of Southern Ohio Coal, the area's largest employer, would have an immediate and significant adverse impact on the entire economy of the bank's assessment areas. On a positive note, the bank has played a leadership role in developing and or implementing specific projects promoting economic revitalization and growth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

² *Ohio Labor Market Information*, Ohio Bureau of Employment Services

³ *Economic Summary*, West Virginia Bureau of Employment Programs

The assessment of the bank's CRA performance included a review of the following:

- ! loan-to-deposit ratio;
- ! lending volume within its assessment area;
- ! geographic distribution of loans within the assessment area; and
- ! distribution of loans within the assessment area to low- and moderate-income borrowers and small businesses.

Loan-To-Deposit Ratio

An average loan-to-deposit ratio of 71% was calculated using the ratios from the eight quarter-ends between examination dates. The bank's loan-to-deposit ratio has increased from 68% on March 31, 1995, to 71% on December 31, 1996. At a ratio of 71%, the bank has outperformed on average 66% of its peer banks over the past three years. In addition, the bank's loan to deposit ratio has increased each year since December 31, 1992. The bank's loan to deposit ratio is more than reasonable given TFBSCP's size, financial condition, and assessment area credit needs. Therefore, the bank's loan to deposit ratio meets the standards for outstanding performance.

Lending Volume Within Assessment Area

To analyze lending volume within the bank's assessment area, a statistical sample of the bank's major product categories was selected for review. The sample included all consumer loans, commercial/agriculture loans, and real estate. Based upon the sample, the loan volume (number of loans) within TFBSCP's assessment area was 98% and the loan amount (dollar amount of loans) was 97%. The following shows the distribution by loan type:

<u>Type of Loan Sampled</u>	<u>Number/Percent in Assessment Area</u>	<u>Amount/Percent in Assessment Area</u>
All Consumer	169 96%	\$ 942,131 97%
Commercial/ Agriculture	51 100%	\$2,368,445 100%
Residential Loans	64 97%	\$ 1,915,911 95%

This distribution reflects that a substantial majority of loans are within the bank's assessment area, resulting in an outstanding performance in this category.

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

The bank's distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low/moderate-income). The bank provides consumer and residential loans to individuals of all different income categories, in particular, showing excellent penetration among low/moderate income households as detailed below:

Distribution of Credit Within the Bank's Assessment Area

<u>Loan Type</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
ALL CONSUMER				
Total Number of Loans	41%	27%	20%	12%
Total Amount of Loans	28%	27%	29%	17%
RESIDENTIAL LOANS				
Total Number of Loans	17%	37%	19%	27%
Total Amount of Loans	11%	32%	21%	36%

The data in the table indicate that the bank originated 68% of all consumer loans, and 54% of its residential loans to low- and moderate-income individuals. All consumer loans and residential loans comprise approximately 77% of the bank's total loan portfolio. Additionally, approximately 48% of the assessment area's households have low- and moderate-incomes. The bank's consumer lending to low- and moderate-income individuals significantly exceeds the percentage of these individuals living in the assessment area. The bank made about two-thirds of all consumer and residential loans to low- and moderate-income borrowers. The remaining consumer loans are divided between middle- and upper-income categories.

Most of the bank's commercial and agricultural borrowers are small entrepreneurs. Therefore, median family income was used rather than business revenues. Accordingly, the bank made 71% of all commercial and agricultural loans sampled, to borrowers of moderate-income level, with the remaining 29% of loans going to borrowers of middle-income. Although not using revenue figures may

appear to skew the analysis, it remains that the bank is making commercial and agriculture loans to borrowers consistent with the assessment areas moderate/middle income BNAs.

In summary, the bank's emphasis on small business lending, which represents 11% of the loan portfolio, together with the excellent penetration among borrowers of low- and moderate- income level, demonstrates a strong commitment to meeting the credit needs of all segments of the community and is representative of an outstanding performance.

Geographic Distribution of Loans

The distribution of the bank's loans between geographies of different income levels in its assessment area is reasonable. As previously discussed, the bank's assessment area includes nine moderate-income BNAs and ten middle-income BNA tracts. Approximately 42% of the population reside in the moderate-income tract, and the remaining 58% reside in the middle-income tract. The following chart details the bank's geographic distribution of loans reflecting an excellent dispersion throughout the assessment area.

**Geographic Distribution of Loans in the Assessment Area
by BNA Income Level**

<u>Loan Type</u>	<u>Moderate-Income</u>	<u>Middle-Income</u>
ALL CONSUMER		
Total Number of Loans	75%	25%
Total Amount of Loans	68%	32%
RESIDENTIAL REAL ESTATE		
Total Number of Loans	71%	29%
Total Number of Loans	72%	28%
COMMERCIAL/AGRICULTURE		
Total Number of Loans	71%	29%
Total Number of Loans	89%	11%

Despite 59% of the households in the bank's area being located in middle income households, the bank's geographic distribution of loans indicates an excellent dispersion of 75% of its loans to borrowers in the moderate income level BNAs within its assessment area. Also, the bank continues to exceed a reasonable dispersion of

lending activity in its middle-income level BNAs. As a result, the bank's level of performance in geographic distribution of loans is outstanding.

Response to Substantiated Complaints

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

No substantive violations of the fair lending laws were noted during the examination. TFBSCP's loan policy contained an Equal Credit Opportunity Act statement. In addition, the bank has provided fair lending and Equal Credit Opportunity Act training to its employees. Interviews with employees and management revealed an understanding of the regulatory requirements regarding fair lending.

Investments

As of December 31, 1994, the bank had invested approximately \$640,000 in local municipal securities within the bank's delineated community. Due to the somewhat remote nature of a significant portion of the bank's delineated community, the availability of municipal securities is limited. However, management remains committed to investing in local issues as they come available, as evidenced by the bank increasing its municipal investments 28% since the last consumer examination.

TFBSCP continues to maintain a high level of participation in community development and redevelopment programs, often in a leadership role. For instance, the bank loaned \$240,000 (5 year note, interest deferred for 5 years, discounted to 4%) to the Meigs County Community Improvement for the purchase of 60 acres of land in Tupper Plains for an industrial park, personally guaranteed by local business leaders. Previously, industries have been hesitant to locate in Meigs County, in particular, Tupper Plains, because of a lack of central water and sewage.

However, over the past several years civic leaders and the bank have worked with the FHA to lift a 20-year building ban in Tupper Plains. Consequently, the Tupper Plains location, along the soon to be completed US Route 33 four-lane connector (directly connecting Columbus, Ohio, with Charleston, West Virginia, and points south), provides an excellent opportunity for the type of industrial development needed to eventually replace the area's diminishing coal mining industry.

As a direct result of the bank's investment, the State of Ohio has joined to grant \$500,000 for the infrastructure of the new industrial park. TFBSCP President Paul M. Reed, who is also president of the Meigs County Community Improvement Corporation, has worked extensively with fellow county supporters and State Representative John Carey to help bring about this state grant.

In summary, the bank's Tupper Plains investment illustrates TFBSCP's outstanding commitment to making complex and innovative investments which enhance credit availability in its assessment area.

Services

Since the last examination, TFBSCP has not closed any of its offices nor does it contemplate taking such actions in the immediate future. However, should the bank consider closing an office, a formalized Branch Closing Policy would be followed which assesses the potential impact such action would have on its community. This assessment includes contacts with community members for their views on the adverse impact of closing the office and ways to minimize it. This policy was developed and placed in the bank's policy manual on July 29, 1994.

Meanwhile, the bank has opened a new branch since the last examination. On December 2, 1996, a branch in Gallia county was opened at 164 Upper River Road, Gallopolis, Ohio. The Gallopolis Branch is a full-service branch with two loan officers, four teller stations, a customer service station, a three lane drive-up facility, and an ATM.

The bank's three office locations are reasonably accessible to all segments of the communities in which they serve. Office hours are reviewed periodically to ensure that they meet the convenience and needs of the customers they serve. For instance, the bank's opening of its first ATM, the opening of a third lane in the drive-in at the main office, and the opening of the Gallopolis Branch; all were in response to customer satisfaction surveys that continue to assist the bank in maintaining bank facility accessibility.