

PUBLIC DISCLOSURE

October 20, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Provident Bank
#04391290
1 East Fourth Street
Cincinnati, Ohio 45202

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 The Provident Bank prepared by the Federal Reserve Bank of Cleveland, the institution’s supervisory agency, as of October 20, 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

The Provident Bank (“PB”) is a wholly owned subsidiary of Provident Financial Group, Inc, a multi-bank holding company. Both the bank and Provident Financial Group, Inc. are headquartered in Cincinnati, Ohio. The bank operates branches in the state of Ohio and an affiliate, Provident Bank Kentucky, serves the northern counties of Kentucky within the Cincinnati MSA. The two banks plan to consolidate sometime in 1998. But, for purposes of this analysis, the branches located in Kentucky and its corresponding lending activity are not incorporated since the two banks have yet to merge.

As of June 30, 1997, The Provident Bank had total assets of \$6.5 billion. PB operates 74 branches and 98 non-bank ATMs throughout the Cincinnati, Dayton, Cleveland, and Columbus areas. PB is a full service financial institution with a primary business focus on commercial, real estate, leasing, and consumer lending activities.

Since the last CRA assessment of September 25, 1995, PB has emphasized residential mortgage lending, particularly for those loans that are eligible to be sold on the secondary market. In an effort to expand in this business segment, PB has developed a national network of mortgage originators to increase its volume of loan activity. As a result, the volume of loans for residential loans has significantly increased but these loans are subsequently sold and the mortgage servicing rights retained.

Table 1 reflects several key financial ratios for The Provident Bank.

Table 1 Key Financial Ratios As of June 30, 1997	
Return on Average Assets	1.74%
Net Loans & Leases to Average Assets	74.75%
Total Deposits to Average Assets	70.87%
Net Loans & Leases to Total Deposits	109.18%
Commercial Loans * to Average Loans	40.96%
1 – 4 Family Residential Loans to Average Loans	9.52%
Total Real Estate Loans to Average Loans	26.37%
Lease Financing Receivables to Average Loans	17.66%
Consumer Loans ** to Average Loans	12.47%
Total Mortgage Servicing as a % of Assets	7.90%

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

** Includes loans to individuals and credit card loans

The Provident Bank's asset size and financial condition indicate it has the ability to meet the credit needs of its assessment areas. There are no legal or other impediments that will hamper PB's ability to meet the community's credit needs.

III. Description of Assessment Area

The Provident Bank defines four separate assessment areas. The assessment areas are the Greater Cincinnati CMSA, which includes the following counties in Ohio, Kentucky, and Indiana, respectively: Hamilton, Warren, Clermont, and Brown in Ohio; Boone, Campbell, Gallatin, Kenton, Grant, and Pendleton in Kentucky; and Dearborn and Ohio in Indiana. The counties located in Kentucky overlap with the assessment area of the Provident Bank of Kentucky, which is planning to merge with PB in 1998. The second area is the Dayton MSA, which is comprised of the following counties: Montgomery, Clark, Miami, and Green. Although Shelby county is not part of the Dayton MSA, it is a contiguous county and considered part of PB's Dayton assessment area. The third assessment area is in the Cleveland MSA, which includes Cuyahoga County. The fourth assessment area is in the Columbus MSA, which includes Franklin County.

The four separate assessment areas comprise 1,451 census tracts in which PB operates, including Shelby County, which is not part of a MSA. The number of census tracts in each assessment area is as follows:

Shelby County	10 census tracts
Cincinnati MSA (1640)	373 census tracts
Hamilton-Middletown MSA (3200)	73 census tracts
Dayton MSA (2000)	244 census tracts
Cleveland MSA (1680)	499 census tracts
Columbus MSA (1840)	252 census tracts

The review of PB’s assessment area will be limited to the Greater Cincinnati CMSA (1600), which combines the MSAs of Cincinnati (1640) and Hamilton-Middletown (3200). Since a substantial majority of PB’s branches, 59 of 74, and lending activity take place within the Greater Cincinnati CMSA (1600) assessment area, the comments and conclusions should fairly represent the lending activity of PB.

The Cincinnati MSA (1640) has a median family income of \$36,658, with 37,110, or 9.2% of the families living below the poverty level. The area also has 611,872 housing units of which 365,939, or 59.8% are owner-occupied 34.1% renter-occupied and 6.1% vacant. The majority of the housing stock is comprised of 1 – 4 family units at 75.2%, 20.2% are 5 or more units, and 4.6% is for mobile homes. The median housing value is \$69,849, and a median housing age of 47 years. The median gross rent is \$365 per month. The Cincinnati MSA has a housing affordability ratio of .43 (which is calculated by dividing the median household income (\$30,371) by the median housing value (\$69,849)) compared to the State average of .46 for Ohio; the higher the affordability ratio the easier it is to afford a house. Table 2 and Table 3 presents relevant demographic information pertaining to the Cincinnati MSA (1640).

Table 2 Demographic Data by Income Level		
Family Income Level*	Number of Families	% of Families
Low-Income	50,897	20%
Moderate-Income	46,601	18%
Middle-Income	63,466	24%
Upper-Income	98,877	38%
Below Poverty Level**	23,742	9%

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

** Subset of low-income families.

Table 3 Demographic Data by Geography				
Type of Geography*	# and % of Geographies	# and % of Population	# and % of Families	# and % of OO**
Low-Income	41 11%	103,024 7%	21,917 6%	7,434 2%
Moderate- Income	80 21%	271,948 18%	68,277 17%	54,888 15%
Middle-Income	167 45%	749,371 49%	202,601 50%	189,837 52%
Upper-Income	85 23%	401,749 26%	110,293 27%	113,780 31%
Total	373	1,526,092	403,078	365,939

* 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 area median family income.

** Owner-occupied Units

The Hamilton-Middletown MSA (3200) has a median family income of \$38,674, with 5,963, or 7.6% of the families living below the poverty level. The area also has 110,353 housing units of which 72,365 or 65.6% are owner-occupied, 29.2% renter-occupied and 5.2% vacant. The majority of the housing stock is comprised of 1 – 4 family units at 80.4%, 14.4% are 5 or more units, and 5.2% is for mobile homes. The median housing value is \$72,490, and a median housing age of 34 years. The median gross rent is \$415 per month. The area has an affordability index of .45 with a median household income of \$32,440. Table 4 and Table 5 presents relevant demographic information pertaining to the Hamilton-Middletown MSA (3200).

Table 4 Demographic Data by Income Level		
Family Income Level*	Number of Families	% of Families
Low-Income	15,017	19%
Moderate-Income	14,210	18%
Middle-Income	19,157	25%
Upper-Income	29,729	38%
Below Poverty Level**	5,963	8%

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

** Subset of low-income families.

Table 5 Demographic Data by Geography				
Type of Geography*	# and % of Geographies	# and % of Population	# and % of Families	# and % of OO** Units
Low-Income	9 12%	24,335 8%	4,448 6%	2,565 4%
Moderate- Income	17 23%	58,278 20%	15,817 20%	13,175 18%
Middle-Income	32 44%	131,929 45%	36,264 46%	35,794 50%
Upper-Income	15 21%	76,937 27%	21,584 28%	20,831 28%
Total	73	291,479	78,113	72,365

* 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 form 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 area median family income.

** Owner-occupied Units

The local economy is considered strong and has experienced steady growth. Table 6 provides details regarding unemployment rates by county for the Cincinnati CMSA, as compared to their corresponding state average and the national average for December 1996.

Table 6 Unemployment Rates As of November 1997	
State of Indiana	3.2%
Dearborn County	3.5%
Ohio County	3.3%
State of Kentucky	4.6%
Boone County	2.9%
Campbell County	3.3%
Gallatin County	3.8%
Grant County	4.1%
Kenton County	3.3%
Pendleton County	3.6%
State of Ohio	4.2%
Brown County	4.9%
Clermont County	3.6%
Hamilton County	3.5%
Warren County	3.0%
Butler County	3.4%
United States	4.3%

The service industry remains the largest business segment of the local economy in the Cincinnati MSA, which is followed by retail and then manufacturing. The major employers in the area are: Proctor & Gamble, the U.S. Government (which includes the IRS), the University of Cincinnati, University Hospitals, Cincinnati Gas & Electric, General Electric Aircraft Engines, and Kroger. There are 37,574 establishments inside the Cincinnati MSA. The majority of the businesses are small business with 93% employing less than 50 employees, 6% employing between 50 and 499 employees, and 1% employing 500 or more employees.

In the Hamilton-Middletown MSA, which is a one county MSA comprised of Butler County, the service industry employs the largest number of people followed by manufacturing and retail. Major employers include A. K. Steel (formerly ARMCO), Middletown Regional Hospital, Baker Concrete, Aeronca Inc. and Jefferson Smurfit Packaging Corporation. There are 5,500 establishments in the MSA. The majority of the businesses are small with 94% employing less than 50 employees, 5% employing between 50 and 499 employees, and 1% employing 500 or more employees.

One community contact was conducted in conjunction with the examination for the Cincinnati CMSA. During the beginning of 1997, this Federal Reserve Bank conducted two other community contacts for the Cincinnati MSA (1640) and the Hamilton-Middletown MSA (3200). The information obtained from these earlier contacts, in addition to the current contact, was used to establish the community needs. The primary needs identified through these contacts included increasing the level of minority business lending, financing for businesses of all sizes, especially small start-up businesses with little or no collateral and/or marginal credit risk, financing affordable housing development, and providing flexible mortgage loans.

IV. Institution Rating

This institution is rated “Outstanding”.

Major factors contributing to this rating include:

- Excellent responsiveness to assessment area credit needs;
- Excellent penetration of assessment area geographies;
- Excellent distribution of loans to customers of different income levels and business customers of different sizes;
- Excellent record of serving the credit needs of low-income and moderate-income individuals and very small businesses;
- Leadership role in providing community development loans;
- Extensive use of innovative/ or flexible lending practices in serving assessment area credit needs; and
- Excellent level of qualified community development investments and grants.

Table 7 indicates the performance level of The Provident Bank with respect to the lending, investment, and service test.

Table 7			
The Provident Bank Performance Tests			
PERFORMANCE LEVELS	LENDING TEST*	INVESTMENT TEST	SERVICE TEST
Outstanding	X	X	
High Satisfactory			
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

V. Conclusions with Respect to Performance Criteria

LENDING TEST

Lending Activity

As of June 30, 1997, PB's loan-to-deposit ratio was 109.18% compared to peer of 89.33%. The loan-to-deposit ratio has been as high as 113.17% since the last CRA evaluation of September 25, 1995, and has averaged 110.13% for each quarter between evaluation periods. PB's high loan-to-deposit ratio indicates an excellent record of lending.

PB has originated 35,038 loans, including consumer loans, totaling approximately \$1.4 billion for the quarters between evaluations. The majority of lending activity was related to consumer lending and real estate lending. The volume of lending has significantly increased from the previous evaluation period largely reflected in real estate refinances and home purchase (1 – 4 family) mortgage loans.

The consistently high loan-to-deposit ratio, as compared to peer, is a result of PB supporting its lending activity with funds derived outside of its deposit base. The source of these funds is largely from the sale of subordinated notes and debentures. Additionally, although considered in the calculation of the loan-to-deposit ratio, PB also uses brokered deposits, such as certificates of deposit, as a source of funds. As of June 30, 1997, funds derived from subordinated notes and brokered deposits stood at \$178.5 million and \$616.3 million, respectively. In comparison to peer, PB is much more dependent upon these sources to fund its lending activity since subordinated notes comprise 2.75% of average assets and brokered deposits comprise 10.80% of average assets compared to peer of .30% and .23%, respectively. These two sources of funds are not derived from the local assessment area, and are used to fund PB's expanding national mortgage lending operation.

PB's mortgage lending has dramatically increased since the last CRA evaluation in 1995. Since then PB has emphasized mortgage lending as a business line within the bank structure, it currently conducts mortgage lending across the country. This level and scope of mortgage

lending is typically done by a mortgage subsidiary; however, PB has opted to keep this activity within the bank. As a result, the volume of lending has substantially increased for loans inside and outside its assessment area, particularly in home refinances and home purchases. To support its national lending efforts, PB is dependent upon the use of mortgage brokers for loan originations; however, lending performed inside the Assessment Area is entirely done through PB's branches or mortgage loan originators. On Table 8 shows, by product area, the volume and dollar amount of lending done by PB inside its assessment areas.

Table 8				
Lending Within Assessment Areas				
By Loan Product				
Loan Type	Number of Loans	% Total of Loans	Amount of Loans*	% of Total Loans
Home Refinance	2027	30%	\$153,512	27%
Home Purchase Conv	1178	48%	\$114,591	49%
Home Purchase FHA	354	80%	\$27,352	79%
Home Purchase VA	64	44%	\$5,793	42%
Home Improvement	1496	90%	\$20,927	79%
Multi-family	10	71%	\$25,838	65%
Total HMDA	5129	45%	\$348,013	38%
Consumer Loans	19494	85%	\$244,163	86%
Small Business	1501	90%	\$209,969	85%
Total	26,124	73%	\$802,145	56%

* In thousands

Table 8 reflects that a substantial majority of consumer loans and small business loans are made inside PB's assessment area.

Although the percentages presented for HMDA reportable loans, particularly home refinance and the home purchase categories, do not appear favorable, the volume and dollar amount of lending inside the assessment area has significantly increased. In order to evaluate the level of lending, a comparison of 1995 HMDA to 1996 HMDA was made to determine its impact on lending inside the assessment area. Since PB has emphasized a national mortgage lending presence starting in early 1996, a comparison of 1995 to 1996 more accurately depicts PB's commitment to lend inside its assessment areas. Table 9 shows a comparison of 1995 to 1996 HMDA reportable data for the number and dollar volume of lending by each type of loan.

Table 9
HMDA Lending within Assessment Areas
1995 to 1996 Comparison

Loan Type	1995 # and \$ *	1996 # and \$ *	Increase (Decrease) *
Home Refinance	262 \$23,554	742 \$58,046	480 \$34,492
Home Purchases Conv	439 \$44,959	398 \$39,055	(41) (\$5,904)
Home Purchase Govt	201 \$16,356	189 \$14,957	(12) (\$1,399)
Home Improvement	815 \$7,901	846 \$10,941	31 \$3,040
Multi-family	5 \$7,895	5 \$21,270	0 \$13,375
Non-occupant	28 \$1,786	97 \$5,070	69 \$3,284
Total	1750 \$102,451	2277 \$149,339	527 \$46,888

* In thousands

The volume and dollar amount of lending inside PB's assessment area has increased by 30.1% and 45.8%, respectively, within a span of a year. The most significant increases occurred in the home refinance and multi-family categories. Both the number of loans and dollar volume of lending for the home refinance category has increased dramatically in a year. Overall, home refinances increased by approximately 200% and 150%, respectively, for the number and volume of loans inside its assessment area. This emphasizes PB's strong commitment to lend inside its assessment areas while growing a new business segment on a national scale.

Geographic Distribution

Of the Cincinnati CMSA (1600), PB has originated loans in 431 of the 446 geographies within its assessment area, which represents 97% of all census tracts. Two census tracts were excluded since these tracts had little or no population or households. PB has an excellent penetration of lending across geographies in its assessment area.

Table 10 shows the distribution of loans across geographies for HMDA reportable loans compared to the number of owner-occupied units or multi-family units for each category.

Table 10
Distribution of Mortgage Loans
By Geography

Type of Loan	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Home Purchase Conv*	4%	12%	45%	38%
	2%	8%	42%	48%
Home Purchase FHA *	3%	16%	53%	28%
	2%	14%	54%	30%
Home Purchase VA *	0%	10%	54%	36%
	0%	6%	51%	42%
Home Refinance *	5%	16%	50%	28%
	3%	11%	44%	42%
Home Improvement *	4%	15%	51%	30%
	3%	14%	46%	36%
Owner-Occupied Units **	2%	16%	51%	31%
Multi-family Loans*	14%	14%	71%	0%
	0%	4%	96%	0%
Multi-family Units **	17%	20%	44%	19%

* Number and amount of mortgage loans as a percentage of total mortgage loans

** Percentage of total units for the Cincinnati CMSA (1600)

Table 10 shows that PB's distribution of lending for 1 - 4 family loans are consistent with the geographic distribution of owner-occupied units. However, lending for multi-family units is considerably lower than the geographic distribution for multi-family units in the CMSA. The number of multi-family loans represents five loans originated in the period. PB does not engage in a high level of lending for multi-family units. The number of loans originated for this evaluation period is consistent with historical levels of lending for multi-family of loans.

Table 11 shows the distribution of consumer loans by geography as compared to the population or owner-occupied units for each category.

Table 11 Distribution of Consumer Loans By Geography				
Type of Loan	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Motor Vehicle Loans*	3%	15%	57%	25%
	3%	14%	56%	27%
Other Secured Loans*	6%	11%	54%	29%
	5%	7%	56%	32%
Other Unsecured *	6%	15%	55%	24%
	4%	13%	51%	32%
Population **	7%	18%	49%	26%
Home Equity Lines of Credit *	2%	8%	44%	46%
	2%	5%	37%	56%
Owner-Occupied Units **	2%	16%	51%	31%

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

** Percentage of total population or owner-occupied units

This table shows that PB's geographic distribution of consumer loans approximates, although is slightly lower than, the geographic distribution of population and owner-occupied units in low- and moderate- income geographies.

Table 12 shows the number and amount of PB's small business loans in each category of geography.

Table 12 Distribution of Small Business Loans By Geography				
Type of Loan	Low- Income	Moderate- Income	Middle- Income	High- Income
Small Business *	13%	10%	39%	38%
	12%	11%	35%	42%

* Number and amount of small business loans as a percentage of total small business loans

Based on a review of the bank's CRA Disclosure Statement, which provides a list of census tracts penetrated, 64% of the low-income tracts (32 of 50) and 40% of the moderate-income tracts (39 of 97) were penetrated in the CMSA. This appears to be a reasonable dispersion of small business lending with an overall percentage of 48%.

Overall, PB's geographic distribution of loans reflects good penetration throughout the assessment area.

Borrower Distribution

Table 13 shows the number and amount of PB’s mortgage lending in each category of borrower income as a percentage of the number and amount of the total mortgage loans. Lending percentages are compared to the percentage of population for each income category.

Table 13 Distribution of Mortgage Loans By Borrower Income				
Type of Loan	Low- Income	Moderate- Income	Middle- Income	High- Income
Home Refinance *	18%	27%	26%	29%
	10%	21%	23%	47%
Home Purchase Conv *	9%	25%	27%	39%
	4%	16%	23%	57%
Home Purchase FHA *	9%	45%	34%	11%
	6%	42%	37%	14%
Home Purchase VA *	12%	35%	38%	15%
	6%	31%	31%	21%
Home Improvement *	13%	23%	31%	33%
	8%	16%	30%	45%
Population **	7%	18%	49%	26%

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

** Percentage of total population for the Cincinnati CMSA (1600)

PB’s mortgage loans show good distribution among income categories within the Cincinnati CMSA. In the majority of cases, PB’s mortgage lending, both in number and dollar volume of loans, exceeds the proportionate share of the population for each income category.

PB requested that consumer loans be considered as part of its lending test as this is optional. It is the responsibility of the bank to collect and maintain gross annual income of the borrower that is considered in making the credit decision if the bank would like for consumer loans to be considered as part of the lending test. The income information would allow for approved and denied applications to be evaluated for lending activity among different income categories. However, one-third of the consumer loan records lacked gross income information. Therefore, consumer loans could not be considered given the high number of missing records.

Table 14 shows the number and amount of small business loans to businesses with less than \$1 million in annual revenues and the respective percentage of total small business loans.

Table 14 Small Business Loans With Revenue Less Than \$1 Million				
Type of Loan	Number of Loans	% of Total Loans	Amount of Loans *	% of Total Amount
Small Business **	780	67%	\$38,247	34%

* In thousands

** The total number of loans for the period was 1222; however, 442 or 36% of the records were missing. The table shows the net number and amount of loans for loans which the records were available.

Although 36% of the income records for small businesses were not available, table 14 shows that the majority of PB's small business loans are to businesses with revenues of less than \$1 million. PB's distribution of borrowers reflects excellent penetration among business customers of different revenue sizes.

Table 15 shows the number and amount of small business loans by loan amount as a percentage of total small business loans.

Table 15 Small Business Loans By Loan Amount at Origination			
Type of Loan	Loan Amount Level 1	Loan Amount Level 2	Loan Amount Level 3
Small Business	81% 32%	13% 29%	6% 38%

Level 1 = Loan Amount less than or equal to \$100,000

Level 2 = Loan Amount greater than \$100,000, but less than or equal to \$250,000

Level 3 = Loan Amount greater than \$250,000

Of the loans to businesses with revenues less than \$1 million, 81% were for loan amounts less than \$100,000. However, on dollar volume basis, loan amounts for less than \$100,000 constitutes 32% of small business lending. This demonstrates that PB makes a large volume loan of very small dollar loan amounts which help small businesses.

Community Development Loans

PB is a leader in making community development loans. The bank originated \$20.3 million in community development since the previous examination. This community development lending has taken place throughout the four assessment areas of PB, including the Cincinnati CMSA.

PB's community development lending has resulted in over 440 new or rehabilitated affordable housing units. Some of the projects involve PB participating with other local financial institutions to provide affordable housing units. Many of the projects involved the use of low income housing tax credits.

The following is a partial list of community development loans that demonstrate PB's leadership role:

- PB committed \$4.6 million to a Low-Income Housing Tax Credit Project to build a 144-unit apartment building in Trotwood, Ohio (Montgomery County) for low-income residents.
- PB has committed \$120,000 for a Section 8 eligible 24 unit apartment complex in the Avondale community of Cincinnati, Ohio (Hamilton County).
- PB has committed \$2.7 million to a Low-Income Housing Tax Credit Project to build an 84 unit apartment in Oxford, Ohio (Butler County).
- PB committed \$288,000 for renovation of a 12 unit apartment complex in the Mt. Airy community of Cincinnati, Ohio (Hamilton County).
- PB has committed \$4.6 million to a Low-Income Housing Tax Credit Project to build 100 unit apartment for the elderly in Dayton, Ohio (Montgomery County).
- PB has made available a loan to Homesteading Urban Redevelopment Corp to purchase and renovate affordable single family units throughout Hamilton County.
- Participated in a loan to the Urban League of Greater Cincinnati for the construction of a new administrative building.
- Several loans were made to the Cincinnati Development Fund to support projects that provide affordable housing in the Cincinnati area.

Innovative/Flexible Lending Criteria

PB has loan products which are innovative and flexible that are available to small businesses and low- to moderate- income people. These products help to enhance PB's ability to meet the credit needs within its assessment area.

PB offers a mortgage product for low- to moderate- income individuals under the name of "Key Mortgage". The Key Mortgage has a maximum income limit of \$46,000. The Key Mortgage allows for a reduced downpayment subject to the income level and family size of the applicant. The Key Mortgage also allows for a more flexible evaluation of a borrower's creditworthiness.

The Key Home Improvement program provides loans that requires no out-of-pocket expenses and reduced interest rates is made available.

A Key home energy loan program offers loans up to \$5,000 at a rate of 5% APR.

A Key small business loan is available that offers loans with reduced closing costs, the financing of fees, and flexible term arrangements.

PB also offers loans for small businesses under its "Enterprise Creditline" which is designed to provide revolving lines of credit between \$5,000 to \$250,000. There are not application or

processing fees, and payment options are flexible to provide minimum monthly payments or interest-only payments based on the cash flow of the business. The credit line provides for flexible access to use the line. The credit line can be accessed by using a VISA, ATM, check, or Telebank service.

INVESTMENT TEST

The bank has provided all or a portion of the equity funding for six low-income housing tax credit partnerships since the last examination. The total of these investments is \$1.9 million. The bank demonstrates a solid record of investment, particularly in low-income housing tax credit (“LIHTC”) partnerships. The six partnerships make up a substantial majority of the \$2.1 million of investment in a total of 14 LIHTCs, which all of them are in PB’s assessment area. Investments in LIHTC partnership are extremely complex and time-consuming to manage. The fact the bank has dedicated resources to this area of investment, is a strong indication of their commitment.

Although the dollar amount of qualified investments may not be considered the leader in the area, this is mitigated by the complexity of these investments, the responsiveness of the investments, and the ability to meet the community development needs. Additionally, LIHTC investments are seldom, if ever, provided by private investors alone. In most instances, the partnerships require the participation of some parties in the public sector, such as a non-profit housing developer, a state housing authority, the Federal Home Loan Bank, or a city.

PB made donations and grants totaling \$2.4 million between examinations. Of this amount, \$242,230 qualified for the investment test.

SERVICE TEST

Retail Banking Services

PB offers a full range of retail services to customers within the assessment area. The bank has 50 branches within the CMSA, all located in Ohio. After the merger with Provident Bank of Kentucky, nine branches will be added to the overall branch network, which these branches are all located in Kentucky. There are no branches in the two counties in Indiana that are part of the CMSA, which the bank was precluded from doing so prior to the Interstate Banking and Branching Efficiency Act that took effect as of July 1, 1997. Of the 50 branches, four branches are in low-income tracts and three are in moderate-income tracts.

For the branches located in low- and moderate- income tracts, the hours of operation are comparable to the branches located in middle- and upper- income census tracts. The branch hours are 9:00 a.m. to 5:00 p.m. Monday through Friday. Three of the branches located in a low- and moderate- income census tract have Saturday hours; not all of the branches located in higher income census tracts have Saturday hours.

In addition to the traditional branch offices, the bank has 16 branches located inside Thriftway grocery stores. The Thriftway grocery store branch locations provide services during nontraditional banking hours, including weekday evenings until 8:00 p.m., Saturday hours until 5:00 p.m., and Sunday hours from 11:00 a.m. until 4:00 p.m. However, none of the Thriftway branch locations are in low- or moderate- income census tracts.

PB also offers a 24-hour telephone banking service called Telebank. The Telebank service allows customers to conveniently access their checking, savings, and loan accounts.

The branch system is also supported by 161 ATMs located throughout the Cincinnati CMSA. ATMs are located at each branch location, with the exception one branch located in a low-income census tract. ATMs are also located at the Thriftway branches or at a United Dairy Farmer store. The majority of ATMs are located in middle-income census tracts; however, 17% of all ATMs are located in low- or moderate- income census tracts.

With 14% of the branches and 17% of ATMs located in low- and moderate- income tracts, this compares unfavorably to the Cincinnati CMSA being comprised of 33% low- and moderate-income census tracts. All low- and moderate- income branches and ATMs are located in Hamilton County. Although Clermont and Brown counties have large tracts of moderate-income, there are no branches or ATMs located in these census tracts. Clermont and Brown counties are situated east of Hamilton County, which has the substantial majority of branches, and ATMs.

The bank offers checking and savings accounts, certificate of deposits, IRAs, and safe deposit boxes. Checking account types include accounts for nonprofit organizations, small businesses, and for senior citizens. The bank does offer a no cost checking account, called “Direct Access”, to meet the needs of low- and moderate- income people. The Direct Access account is cost free as long as the customer uses the ATM network and Telebank services. There is a fee for teller-assisted transactions. The other checking accounts have fees attached if the minimum daily balance falls below \$1,000. Savings accounts have minimum monthly balance requirements, the lowest of which is \$250, in order to avoid monthly maintenance fees. However, for accounts not maintaining the minimum balance the bank assesses a nominal \$3.00 a month fee.

The bank offers several different types of lending products: commercial loans include secured and unsecured loans and lines of credit; vehicle loans and other consumer loans; and mortgage loans, including 1 – 4 family, FHA/VA, multi-family, and community development loans. For families with income not exceeding \$46,000, the bank offers several “Key” programs for residents of low- and moderate- income neighborhoods.

Since PB’s branches and ATMs are concentrated near or in Hamilton County, this makes it challenging for PB to provide full retail services throughout its entire assessment area. A review of PBs branches plotted on maps (see Appendix C) show the challenge of PB to provide services on the outer perimeter of its assessment area. There are no branches and ATMs located in Brown County, located to the far east of the CMSA, and only four branches and nine ATMs are located in Clermont County. However, there are no branches or ATMs located in any moderate-income census tracts in Clermont County.

Since the last examination in 1995, the bank has closed two branches, neither in a low- or moderate- income area. Additionally, two new branches were opened, neither in a low- or moderate- income area.

Community Development Services

PB provides community development services including technical assistance for grant applications, technical assistance for small businesses, technical assistance for non-profit housing developers, and homeownership counseling services. The following is a partial list that demonstrates PB’s role in providing these services:

- Sponsored a Housing Fair with the Greater Cincinnati Mortgage Counseling Service organization which PB's CRA Officer serves as a Director. Provided personnel for the fair to address questions regarding mortgage loan questions, take applications of credit for PB products, and conducted tours of affordable homes. The bank sponsored a home on the Affordable Home Tour which was subsequently sold after the fair.
- Participated in the 1997 City of Dayton's Building Business Finance Fair by making available loan product information for small businesses.
- The bank's CRA Officer served as a Director on the Board of the Mount Auburn Good Housing, which provides affordable housing to low-income residents in the Mount Auburn community.
- A mortgage loan underwriter provided services to low-income residents at the North Fairmont Community Center once a week to help residents understand the underwriting process and various mortgage products.
- A CRA Loan Officer served on the Low-Income Housing Tax Credit Technical Advisory Committee of the Ohio Department of Development which provides expertise on how tax credits work for affordable housing projects.
- A mortgage loan originator served on the Advisory Committee of the Better Housing League which provides home buyer seminars to assist low- and moderate- income residents become homeowners.
- A PB employee served on the Advisory Committee of the Neighborhood Development Corporation Association of Cincinnati which provides lending advice to non-profit development corporations.
- Participated in Communities United for Action seminars for low- and moderate- income families to introduce the bank's "Key" mortgage program to promote affordable housing.
- The bank's CRA Officer served as the chairperson for the Advisory Board of the City Mortgage Credit Counselors which provides counseling to low- and moderate- income residents regarding affordable housing mortgage products.
- The bank's CRA Officer served on the Cincinnati Minority & Women's Business Incubator Inc. Microloan Review Committee which helps small businesses seek creative financing options for economic development.
- The bank's CRA Officer served on the Greater Cincinnati Residential Mortgage Credit Project as a member of the Planning Committee and as Co-Chair of the Secondary Market Task Group. The project is sponsored in part by the Federal Reserve Bank of Cleveland to identify impediments to selling affordable housing loans in the secondary market.

VIII. Appendix A

SCOPE OF THE EXAMINATION

This examination covered the time period since September 25, 1995. The analysis included a review of the data required to be reported under the Home Mortgage Disclosure Act (home purchase, home improvement, home refinance, and multi-family loans) as well as the Community Reinvestment Act (small business, small farm, and community development loans). PB also elected to have its consumer loan data considered. Consumer loan data was categorized as motor vehicle loans, home equity lines of credit, other secured consumer loans, and other unsecured consumer loans. Although the bank has four assessment areas, Cleveland, Columbus, Dayton, and Cincinnati CMSA, only the Cincinnati CMSA was reviewed and evaluated.

VIII. Appendix B

VIII. Appendix C