



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ohio Valley National Bank
Charter Number 13983
140 North Main
Henderson, Kentucky 42420**

**Office of the Comptroller of the Currency
Evansville Field Office
P.O. Box 20130
Evansville, Indiana 47708**

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 Ohio Valley National Bank (Ohio Valley) for the time period of January 27, 1995 through March 2, 1998. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

Ohio Valley has a satisfactory record of lending to borrowers of all income levels and to businesses and farms of all sizes. A substantial majority of the bank's loans are to customers living within the assessment area. The geographical distribution of loans reflects a reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Ohio Valley National Bank (Ohio Valley) is a full-service bank located in Henderson, Kentucky. Ohio Valley is 100% owned by Ohio Valley Bancorp, Inc., a one bank holding company, that is locally owned. On December 31, 1997, Ohio Valley had total assets of \$115 million. Earnings as of this date were \$1,283,000, representing a 1.22 percent return on average assets.

Ohio Valley is a full-service lender focusing on residential real estate, commercial, and consumer loans. There are no financial or legal impediments which would hamper the bank's ability to meet the credit needs of the community. Ohio Valley has a strong capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

<u>Table 1</u> Balance Sheet as of December 31, 1997			
Net Loans	\$68,606,000	Total Deposits	\$97,930,000
Investments	\$35,012,000	Other Liabilities	\$7,603,000
Other Assets	\$11,522,000	Total Liabilities	\$105,533,000
		Total Equity Capital	\$ 9,607,000
Total Assets	\$115,140,000	Total Liabilities & Capital	\$115,140,000

(Source: FFIEC Report of Condition)

As of December 31, 1997, the loan portfolio consisted of 74.7% real estate loans (47.6% are 1-4 family residential), 13.1% commercial loans, 8.3% consumer loans and 3.9% agriculture loans.

Ohio Valley offers banking hours Monday through Thursday from 9:00 A.M. to 4:00 P.M. and Friday 9:00 A.M. to 6:00 P.M. at the main office. Drive-up hours at the main office are offered Monday through Thursday from 8:00 A.M. to 5:00 P.M. and Friday 8:00 A.M. to 6:00 P.M. Automated Teller Machines (ATMs) are provided at the main office and each branch location. Cash dispensing machines are located at a local discount store and the local hospital. A night depository is provided at the main office for deposits after hours. Touchtone banking by telephone is also provided. The bank opened a new branch in Corydon, Kentucky on September 17, 1996. No branches have been closed since the last CRA examination.

DESCRIPTION OF ASSESSMENT AREA

Management has defined the bank's assessment area as all of Henderson County, Kentucky. Henderson County is in a portion of the Evansville, IN/Henderson, KY Metropolitan Statistical Area (MSA) #2440. The assessment area contains eleven census tracts. One tract is classified low-income, two are moderate-income, and the remaining tracts are classified middle-income. Income levels of census tracts are based on the Evansville, IN/Henderson, KY MSA median family income. The income categories are defined as low, moderate, middle, and upper, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of the MSA median family income of \$30,074. The assessment area is consistent with the guidelines of the regulation.

Table 2 depicts the number and percentage of families within the bank's assessment area based upon income level. The table reveals that 43.8% of the families have low or moderate incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels.

<u>Table 2</u> Number and Percentage of Families in Each Income Level				
Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families	Total
3,217 26.4%	2,124 17.4%	2,839 23.3%	4,016 32.9%	12,196 100%

(Source: 1990 U.S. Census Bureau Data)

The area surrounding Henderson is rural. Businesses in Henderson offer stable employment and economic support. The largest area employer is Hudson Foods with local employment of 1,100. The unemployment rate in Henderson County is 3.9% compared to the State of Kentucky average of 4.4% as of December 1997. Competition is provided by two banks affiliated with bank holding companies in Evansville, Indiana and several other types of financial intermediaries.

Table 3 depicts the number and percentage of small businesses and farms within the bank's assessment area. Small businesses and small farms are defined as those with annual revenues of less than \$1,000,000. The table reveals that the majority of businesses in Henderson County are small.

<u>Table 3</u> Number of Businesses and Farms in Ohio Valley's Assessment Area				
	Annual Revenues of less than \$1,000,000		Annual Revenues of \$1,000,000 or more	
	#	%	#	%
Businesses	762	89%	98	11%
Farms	24	100%	0	0%

(Source: 1990 U.S. Census Bureau Data)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate the bank's lending performance, the OCC reviewed Home Mortgage Disclosure Act (HMDA) reports on real estate loans originated during 1995, 1996, and 1997. We also reviewed the bank's internal records for lending to small businesses and small farms. These reviews were used to evaluate the bank's volume of lending, and geographic distribution of lending inside the assessment area and record of lending to borrowers of different income levels and businesses of different sizes.

Lending inside assessment area:

The HMDA and internal bank reports revealed that a substantial majority of the bank's real estate loans and loans to small businesses and small farms are secured by property located within the assessment area. Table 4 shows the bank's record of originating real estate and commercial loans inside the assessment area:

Table 4 Loans Originated Inside the Assessment Area				
	Real Estate Loans		Small Business and Small Farm Loans	
	Amount	%	Amount	%
# Inside Henderson County	393	94%	165	95%
\$ Inside Henderson County	\$19,677	90%	\$4,309	82%
# Outside Henderson County	27	6%	9	5%
\$ Outside Henderson County	\$2,069	10%	\$950	18%

(Source: Real estate loan information is from the bank's reported HMDA loan data of 1996-1997 combined. HMDA reported data for 1995 reports similar results. Small business and small farm data is from a sample of the bank's internal records. Dollar amounts are in thousands.)

The HMDA information shows that 94% of the number and 95% of the dollar volume of reported real estate loans were secured by property located inside the bank's stated assessment area. The bank's internal records show that 95 percent of the number and 82 percent of the dollar volume of loans to small businesses and small farms were originated in the assessment area. Ohio Valley's record of lending to borrowers in the assessment area is good.

Geographic distribution of loans:

The geographic location of mortgage loans reflects a reasonable distribution throughout the assessment area, including the low-and-moderate-income areas. The review of HMDA reported loans showed the following originations within the assessment area:

Table 5						
Mortgage Loans Originated by Geographic Location						
Income of Census Tract *	Number of Loans		Dollar Volume		Percent of Population in Tracts	Total Housing Units in Tracts
	#	%	\$000's	%		
Low-income	13	3%	\$249	1%	4.7%	918
Moderate-income	31	8%	\$1,134	6%	10.7%	2,106
Middle-income	343	89%	\$17,828	93%	84.6%	14,908
Upper-income	NA	NA	NA	NA	NA	NA
TOTAL	387	100%	\$19,211	100%	100%	17,932

(Source: Bank's reported HMDA loan data of 1996-1997. HMDA reported data for 1995 reports similar results. Dollar amounts are in thousands. * The MSA median family income is \$30,074. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of \$30,074.)

The HMDA information shows that 11% of the number and 7% of the dollar volume of reported real estate loans were located in the low- and moderate-income census tracts. This compares reasonably to the percent of population residing in these areas. Nine percent of the number and 12% of the dollar volume of small business/small farm loans were originated in the low- and moderate-income areas. Ohio Valley's record of lending to all geographical areas is satisfactory.

Lending to borrowers of different incomes and to businesses of different sizes:

HOME MORTGAGE LOANS

To determine Ohio Valley's record of extending home loans to individuals of different income levels in the assessment area, we reviewed the annual income of the borrowers reported on the bank's HMDA data. Table 6 reveals that the number of home mortgage loans to low- and moderate-income borrowers is 30%, and the dollar volume is 15% of the loans originated. This compares reasonably to the number of low- and moderate-income families in the assessment area

of 43.8% as illustrated in Table 2 when you consider that 12.5% of the low-income families have incomes below the poverty level and would possibly not qualify for a home loan.

Table 6				
Mortgage Loans Originated by Borrower Income				
Borrower Income *	Number of Loans		Dollar Volume	
	#	%	\$000's	%
Low-income	41	11%	\$817	4%
Moderate-income	73	19%	\$2,115	11%
Middle-income	103	26%	\$4,876	25%
Upper-income	170	44%	\$11,403	60%
TOTAL	387	100%	\$19,211	100%

(Source: Bank's reported HMDA loan data of 1996-1997. HMDA reported data for 1995 reports similar results. Dollar amounts are in thousands. * The MSA's updated median family income is \$41,900. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of \$41,900.)

SMALL BUSINESS AND SMALL FARM LOANS

The demographic data contained in Table 3 indicates that 89% of all businesses in Ohio Valley's assessment area have annual incomes of less than \$1,000,000. A review of the bank's commercial loan originations for March 1997 through February 1998 using loan size as an indicator, reflects that the majority of business and farm loans made by Ohio Valley are to small businesses and farms. To verify the bank's record of extending loans to businesses and farms of different sizes, we reviewed 174 business and farm loans that originated since the last CRA evaluation. Table 7 shows the small business and small farm loans originated in the assessment area, by loan amount:

Table 7				
Small Business and Small Farm Loans				
By Loan Amount at Origination				
Loan Amount at Origination	#	%	\$	%
\$0 - \$100,000	153	92.7%	\$1,531,000	35.5%
\$100,001 - \$250,000	9	5.5%	\$1,520,000	35.3%
\$250,001 - \$1,000,000	3	1.8%	\$1,258,000	29.2%
More than \$1,000,000	0	0%	\$0	0%
TOTAL	165	100%	\$4,309,000	100%

(Source: OCC's sample of small business and small farm data from the bank's internal records)

Table 7 illustrates that the bank has a good record of making small dollar volume loans to small businesses and small farms. This is evidenced by the fact that 92.7% of the small business and small farm loans were in amounts less than \$100,000 with the average loan of \$10,000. These loans comprise 35.5% of the dollar volume of small business and small farm loans sampled. The bank's penetration of loans to small businesses and small farms is good.

Loan to deposit ratio:

Ohio Valley's average loan to deposit ratio during the last two years is 75 percent. This is reasonable for a bank of Ohio Valley's size in this area. Ratios for other banks of similar size in the region range from 50% to 90%.

Response to complaints:

Ohio Valley National Bank has not received letters from the public regarding its CRA activities.

Compliance with antidiscrimination laws:

We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.