



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 30, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Ohio Valley National Bank Of Henderson  
Charter Number 13983**

**140 North Main  
Henderson, KY 42420**

**Office of the Comptroller of the Currency  
Louisville Field Office  
9200 Shelbyville Road, Suite 505  
Louisville, KY 40222**

**NOTE: This document is an evaluation of this 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. 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.**

## **INSTITUTION'S CRA RATING**

### **This institution is rated Satisfactory.**

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The bank's lending distribution to borrowers of different income levels is good based on the demographics of the community and credit needs of the assessment area (AA).
- The bank's record of lending to businesses of different revenue sizes is reasonable based on our sample of commercial/industrial and commercial real estate loans.
- Loans are reasonably distributed by geography classification.
- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 79%.
- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's AA.

## **DESCRIPTION OF INSTITUTION**

Ohio Valley National Bank (Ohio Valley) is wholly owned by Ohio Valley Bancorp, Inc., a one-bank holding company located in the city of Henderson, Kentucky. As of December 31, 2002, Ohio Valley had total assets of \$162 million, net loans of \$116 million, total deposits of \$146 million, and total risk based capital of \$16 million. Ohio Valley assets represent substantially all of the holding company's assets. There are no other subsidiaries or affiliates. There have been no changes in the bank's corporate structure since the last CRA evaluation.

Ohio Valley is primarily a business and residential real estate lender that operates four offices and five depository automated teller machines (ATMs), all located in Henderson County. The main office is located in downtown Henderson, Kentucky; the branches are located throughout Henderson County. Depository ATMs are located at each of the branches. A free-standing depository ATM is located in Corydon, Kentucky, which is also part of Henderson County. Three cash dispenser machines are located at a local discount store, hospital, and community college. Management closed the branch in Corydon, Kentucky (2/16/02) and opened the new Sand Lane branch in Henderson, Kentucky (2/20/02) during this evaluation period.

Ohio Valley offers traditional bank services and loan products normally associated with a community bank. As of December 31, 2002, net loans totaled \$116 million, representing 71% of total assets. The loan portfolio consisted of 55% residential real estate, 29% commercial real estate/business, 9% consumer loans, and 7% farm real estate/agriculture production. Residential real estate and business loans represent the substantial majority of loans originated during this evaluation period.

There are no legal or financial constraints placed on the bank's ability to meet the community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

Ohio Valley's last CRA evaluation was March 2, 1998, and it was rated Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management designated Henderson County as its AA. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Henderson County is in a portion of the Evansville, IN/Henderson, KY Metropolitan Statistical Area (MSA). The AA is comprised of eleven census tracts (CTs): 201, 202, 203, 204, 205, 206.01, 206.02, 207.01, 207.02, 208 and 209. Based on the 1990 MSA median family income, one CT or 9% is classified low-income, two CTs or 18% are classified moderate-income, and eight CTs or 73% are classified middle-income. The bank's main office and one branch are located in moderate-income CTs 204 and 202. CT 203 is designated low-income.

The 1990 census data shows that the total population in Henderson County was 43,044, which included 12,197 families. Of these families, 3,217 or 26% were classified as low-income, 2,124 or 18% as moderate-income, 2,840 or 23% as middle-income, and 4,016 or 33% as upper-income. Ohio Valley's main office is located in downtown Henderson, Kentucky, and it is the primary municipality in the moderate-income CT 204. The East Gate branch is located in the moderate-income CT 202. Based on the 1990 census data, total population in the two moderate-income CTs 204 and CT 202 was 4,588, which included 1,263 families. Of these families, 559 or 44% were classified as low-income, 287 or 23% as moderate-income, 209 or 17% as middle-income, and 208 or 16% as upper-income.

Based on the 1990 census data, total population in the low-income CT 203 was 2,018, which included 543 families. Of these families, 276 or 51% were classified as low-income, 94 or 17% as moderate-income, 88 or 16% as middle-income, and 85 or 16% as upper-income.

Based on the 1990 census data for the AA, 13% of the population is age 65 and over, 13% of households are in retirement, and 16% of households live below the poverty level. The MSA median family income as of the 1990 Census was \$33,523, and the 2002-updated figure (adjusted for inflation by the Department of Housing and Urban Development) is \$54,700. We used the 2002-updated figure in our analysis to determine the borrower income levels.

In 1990, the median housing value for the AA was \$50,802 and the median age of the housing stock was 25 years. Local housing for the AA was 76% 1-4 family units, with 61% being owner-occupied. The median age of the housing stock was 43 years for the moderate-income CTs and 51 years for the low-income CT. We noted 7% of the housing units are vacant.

Economic conditions in Henderson County are stable, with unemployment lower than that of the state of Kentucky. The August 2003 seasonally unadjusted unemployment rates for Henderson County and Kentucky are 4.7% and 5.3%, respectively. These ratios are both less than the national unemployment rate of 6.0%. The area surrounding Henderson is rural. The downtown area is primarily supported by small retail trade and service-related businesses which offer stable employment and economic support. Major employers in Henderson County are Tyson Foods, with 1,500 employees; Gibbs Die Casting, with 1,300 employees; Methodist Hospital, with 1,262 employees; Henderson County Schools, with 1,030 employees; Alcan Ingot, with 680 employees; Ellis Park (seasonal), with 500 employees; Gamco Products, Inc., with 400 employees; City of Henderson, with 298 employees; Patriot Coal Company, with 292 employees; and Vincent Industrial Plastics, with 270 employees.

Competitive pressures are strong and primarily come from two local banks and two large regional banks which have branches located in Henderson County. Together, the competitors have fourteen branches located in Henderson County. This number does not include the array of credit unions, mortgage companies, farm services, and insurance company offices that offer loan products.

Management indicated the primary credit needs of Henderson County are residential real estate loans, consumer personal loans, and business and farm-related loans. To further our understanding of the community's credit needs, we performed a community contact with a local organization knowledgeable about the community. Our contact did not identify any unmet credit needs. The contact acknowledged good participation from all banks in the community, stating all are involved and sponsor community events. Ohio Valley was characterized as a very supportive sponsor.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Ohio Valley does a satisfactory job of meeting the credit needs of its AA, including those of low- and moderate-income people and small businesses, given the performance context, demographics, economic factors, and competitive pressures faced by the bank. Please refer to the "Description of Institution" and "Description of Assessment Area" sections of this evaluation for details on these performance context factors.

### **Loan-to-Deposit Ratio**

Ohio Valley's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the bank's LTD ratio was 79%. Ohio Valley's quarterly average LTD ratio since the 1998 CRA examination was 79%. This is comparable to two similarly situated banks in the area whose quarterly average LTD ratios ranged from 71% to 104%, with an average ratio of 88%. These banks are considered similarly situated because of their size, lending opportunities, and location.

### **Lending in Assessment Area**

Lending in the AA is satisfactory. A substantial majority of the bank's loans originated since the last CRA evaluation were made in the AA. We analyzed Home Mortgage Disclosure Act

(HMDA) data to review residential real estate loans originated and purchased from 2000 through 2002. The data shows 92% by number and 89% by dollar were made within the bank's AA.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The bank's lending distribution to businesses of different revenue sizes is reasonable. The bank's lending distribution to borrowers of different income levels is good.

During this evaluation period, Ohio Valley's primary loan products were business-related loans and residential real estate loans by dollar and residential real estate loans and consumer loans for various purposes by number. An analysis of the consumer loan portfolio was not performed. Such an analysis would not have been meaningful, as the consumer loan portfolio comprises only 9% of the bank's total loan portfolio by dollar.

Using only loans made in the AA, we sampled 20 business-related loans and reviewed all HMDA reportable loans originated and purchased from January 1, 2000 through December 31, 2002. As part of this CRA evaluation, we verified a sample of 75 HMDA-reportable transactions from March 2, 1998 (the date of the previous CRA evaluation) through December 31, 2002 to determine the accuracy of the bank's HMDA loan application register. Ohio Valley had no significant errors in its data that would prevent an accurate evaluation of its CRA performance. The bank's publicly filed data was substantially correct and reliable. The facts and data used to evaluate Ohio Valley's lending activity are presented in the following tables.

### **Business Loans**

Ohio Valley is responsive to the credit needs of businesses in its AA. During this evaluation period, the bank originated 1,147 business-related loans totaling \$38.7 million. Based on the sample of 20 business-related loans, the bank's lending to small business is reasonable compared to the percentage (76%) of nonfarm businesses within the AA. Eighty-five percent of the number of loans was extended to small businesses. Additionally, 90% of the loans were for amounts of \$100 thousand or less.

<b>Revenue Ranges</b>	<b>Lending to Businesses of Different Sizes</b>				<b>Businesses within AA</b>	
	<b>#</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>	<b>#</b>	<b>Percent</b>
<b>\$1 Million or Less</b>	17	85%	607	68%	1,679	76%
<b>Greater than \$1 Million</b>	3	15%	280	32%	129	6%
<b>Revenue Not Reported</b>	0	0%	0	0%	397	18%

Sources: Bank records, and Dun & Bradstreet 2002

## Residential Real Estate Loans

During this evaluation period, the bank originated 256 home purchase loans totaling \$23.1 million; 661 home refinance loans totaling \$59 million; and 38 home improvement loans totaling \$1.1 million. Using only the HMDA reportable loans made within the AA, the bank originated 227 home purchase loans totaling \$20.3 million; 613 home refinance loans totaling \$53.9 million; and 34 home improvement loans totaling \$1 million. Based on the HMDA reportable loans made within the AA, the bank's residential lending reflected good penetration to borrowers of different income levels compared to the AA family income demographic data.

Borrower Income Level	Residential Real Estate Loans								AA Family Income
	Home Purchase		Home Improvement		Home Refinance		All Mortgage Loans		
	# of Loans	% of Loans	# of Loans	% of Loans	# of Loans	% of Loans	# of Loans	% of Loans	
<b>Low</b>	16	7%	5	15%	37	6%	58	7%	26%
<b>Moderate</b>	39	17%	4	12%	92	15%	135	15%	18%
<b>Middle</b>	68	30%	9	26%	184	30%	261	30%	23%
<b>Upper</b>	104	46%	16	47%	300	49%	420	48%	33%

The 2002 MSA median family income is \$54,700. The income categories are defined as: less than 50%, 50% to 79%, 80% to 119%, and over 120%, respectively, of \$54,700.

Sources: Bank records, and based on 1990 US Census Information

## Geographic Distribution of Loans

No unexplained conspicuous gaps were identified. The bank's lending distribution to geographies of different income levels is reasonable, given the contextual factors. Our conclusion was based on the HMDA reportable loans discussed above.

The findings of this analysis are presented in the following table.

Census Tract Income Level	Percentage of Residential Real Estate Loans								% of Owner- Occupied Units in AA
	Home Purchase		Home Improvement		Home Refinance		All Mortgage Loans		
	# of Loans	% of Loans	# of Loans	% of Loans	# of Loans	% of Loans	# of Loans	% of Loans	
<b>Low</b>	7	3%	3	9%	6	1%	16	2%	4%
<b>Moderate</b>	9	4%	1	3%	25	4%	35	4%	8%
<b>Middle</b>	211	93%	30	88%	582	95%	823	94%	88%
<b>Upper</b>	0	0%	0	0%	0	0%	0	0%	0%

Sources: Bank records, and based on 1990 US Census Information

## Responses to Complaints

Ohio Valley has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.