

PUBLIC DISCLOSURE

October 6, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Killbuck Savings Bank Company
RSSD# 1017425

165 North Main Street
Killbuck, Ohio 44637

Federal Reserve Bank of Cleveland
Cleveland, Ohio

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.

TABLE OF CONTENTS

Institution's CRA Rating	1
Scope of Examination	2
Description of Institution	4
Description of Assessment Area	5
Conclusions with Respect to Performance Tests	10
Appendix A: Glossary	18
Appendix B: Assessment Area Map	21

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

The Lending Test is rated: "Satisfactory."

The Community Development Test is rated: "Satisfactory."

The major factors and criteria contributing to this rating include:

- A reasonable loan-to-deposit ratio, given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending-related activities are in the assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- A reasonable penetration among individuals of different income (including low-and moderate-income individuals) levels and business and farms of different sizes.
- There have been no complaints filed against the bank since the previous CRA examination.
- The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

The previous CRA examination conducted August 14, 2006 resulted in a rating of "Satisfactory."

SCOPE OF EXAMINATION

The evaluation of The Killbuck Savings Bank Company's (Killbuck) Community Reinvestment Act (CRA) performance covered the bank's level of lending for the period of January 1, 2007 through December 31, 2007. The bank's performance regarding community development lending, services, and investments was evaluated for the period of January 1, 2006 through December 31, 2007. This evaluation was performed using the interagency intermediate small bank procedures. Under this examination method, the bank was evaluated by considering lending and community development activity throughout its assessment area.

The lending test includes the analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the bank's assessment area;
- The geographic distribution of loans in the assessment area, including low- and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including low- and moderate-income borrowers, and businesses of different sizes, including small businesses and small farms; and,
- The bank's record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment areas

The lending products reviewed for this evaluation included small business and mortgage loans. Businesses with gross annual revenues of \$1 million or less are classified as small businesses. In this evaluation, small business loans include real estate-secured and non-real estate secured loans. Mortgage loans are comprised of home refinance, home purchase, and home improvement loans.

During the January 1, 2007-December 31, 2007 evaluation period, Killbuck originated 602 small business loans and 218 mortgage loans. As a result, small business loans received the greatest weight by volume and amount. Mortgage loans received the next greatest weight based on volume and amount.

The geographic distribution of loans among various income census tracts within the bank's assessment area was evaluated using data from the 2000 United States Census report. Specifically, the bank's geographic distribution with respect to small business lending was assessed by comparing the percentage of small businesses within the middle- and upper-income census tracts throughout the bank's assessment area to the bank's percentage of small business lending within these tracts. The geographic distribution for mortgage lending was assessed by comparing the percentage of loans made within the bank's census tracts to the percentage of owner-occupied housing units within the assessment area's census tracts.

The borrower distribution of loans to businesses of different revenue sizes was assessed by

comparing the percentage of small businesses within the bank's assessment area to the bank's overall percentage of lending to small businesses. The borrower distribution of mortgage loans was based on 2007 adjusted median family income statistics, made available by the United States Department of Housing and Urban Development (HUD). Specifically, the bank's borrower income distribution, with respect to mortgage lending, was assessed by comparing the bank's percentage of mortgage loans made to borrowers in each income category (low-, moderate-, middle-, and upper-income) to the percentage of families in each income category throughout the bank's assessment area.

Although poverty level is determined by income and family size, a larger proportion of families living in poverty are found in the low-income category and, to some extent, in the moderate-income category based on the national average. Further, poverty levels can impact middle- and upper-income families as well, but not as significantly as low- and moderate-income families. It is difficult for borrowers at poverty level to qualify for loans because their income is limited. Poverty level is taken into consideration in the performance context and income categories and the percentage of families are taken into consideration in the analysis. Within the bank's assessment area, 8.11% of the families are below the poverty level.

The community development test includes the analysis of the bank's responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services.

The analysis of community development loans, investments, and services included the period of January 1, 2006 through December 31, 2007 to assess the bank's performance under the community development test. In addition, it included a full-scope review of the bank's entire assessment area. Lastly, interviews conducted by this Reserve Bank with community contacts were utilized to ascertain the credit needs of the community.

DESCRIPTION OF INSTITUTION

The Killbuck Savings Bank Company is headquartered in Killbuck, Ohio. Killbuck is owned by Killbuck Bancshares, Inc., a non-complex holding company. Killbuck had assets of \$336.3 million as of June 30, 2008, which is an increase of 11.76% since the previous examination in August 2006.

Killbuck is a full-service retail bank offering deposit accounts and consumer, real estate, and commercial loans. The most significant loan growth by dollar amount since the previous CRA evaluation was commercial and industrial lending, which grew by 27.55%, and commercial loans secured by real estate, which grew by 22.83%. Agricultural, farmland, and 1-4 family residential categories experienced decreases in dollar amounts since June 30, 2006. Agricultural lending had a 26.73% decrease in lending and farmland lending had a 23.99% decrease in lending. 1-4 family residential lending also had a decrease in lending of 16.96%.

Loans constitute approximately 59.68% of total assets, with real estate loans accounting for 73.32% of the loan portfolio. The remainder of the loan portfolio consists of commercial, consumer, and agricultural loans, which represents 21.84%, 3.51%, and 1.13% respectively. The following chart represents the bank's loan portfolio as of June 30, 2008.

Loan Type	Dollar Amount (\$000's)	Percentage of Total Loans
Construction and Land Development	8,188	4.08
Secured by Farmland	9,384	4.68
1-4 Family Residential	70,240	34.99
Multi-Family (5 or more) Residential	1,446	0.72
Commercial	57,910	28.85
Total Real Estate Loans	147,168	73.32
Commercial and Industrial	43,839	21.84
Agricultural	2,261	1.13
Consumer	7,053	3.51
All other Loans	648	0.32
Subtract	249	0.12
Total (gross)	200,720	100.00

Including the main office, Killbuck has nine offices, one cash-only Automated Teller Machine (ATM), and one loan production office. Each office has an ATM. Killbuck's main office, six of its branches, the cash-only ATM and the loan production office are located in Holmes County. Two branches are located in Knox County and one branch is located in Tuscarawas County. The bank has neither opened nor closed any branch offices since the previous examination. However, the bank relocated the branch located at 4843 East Main Street, Berlin, Ohio to 4790 Township Road 366, Millersburg, Ohio. The bank maintained the cash-only ATM located at the previous site.

There are no legal or financial constraints preventing Killbuck from meeting the credit needs of its assessment area consistent with its asset size, business strategy, resources, and local economy.

DESCRIPTION OF NONMETROPOLITAN ASSESSMENT AREA

Killbuck has designated its assessment area as all of Holmes County, eight census tracts in Knox County, seven census tracts in southern Wayne County, four census tracts in western Tuscarawas County, three census tracts in northern Coshocton County, and one census tract in southeastern Ashland County. The entire assessment area is in the state of Ohio.

The overall assessment area is comprised of 29 census tracts, of which 28 are middle-income tracts and one is an upper-income tract. There are no low- or moderate-income census tracts in the bank's assessment area. Since 96.55% of the tracts in the assessment area are middle-income tracts, a majority of the lending would be expected in middle-income tracts.

The three middle-income census tracts in Coshocton County are designated as distressed areas, as defined by the Community Development Financial Institutions Fund (CDFI). All three tracts are designated as distressed areas due to unemployment. Middle-income distressed areas are those that have unemployment rates of at least one-and-a-half times greater than the national average; poverty rates of 20 percent or more; population losses of 10 percent or more between decennial census years; or net migration losses of 5 percent or more over the five-year period prior to the most recent census. This information can be found on the Federal Financial Institution Examination Council's (FFIEC) website at www.ffiec.gov.

There are 28 financial institutions insured by the FDIC operating 81 offices within the counties of the bank's footprint.¹ Wayne, Coshocton, and Ashland Counties were not included, since none of these counties have a branch or ATM location. Statistics as of June 30, 2007 indicate that Killbuck rated third with 11.51% of the market share of deposits within the counties it serves. Huntington National Bank ranked first with 15.56% of the market share with six offices, First-Knox National Bank ranked second with 14.99% of the market share with nine offices, and Commercial and Savings Bank of Millersburg ranked fourth with 9.84% of the market share with eight offices.

Population

According to the 2000 U.S. Census, the total population of Killbuck's assessment area was 135,254, of which 30.09% were age 17 years and younger, 10.52% were age 18 to 24, 47.48% were age 25 to 64, and 11.91% were age 65 and older. Information from the Ohio Department of Development shows an estimated growth rate of approximately 7.00% from 2000 to 2006, with an anticipated population growth rate of approximately 11.50% by the time of the next decennial census in 2010.

¹ FDIC/OTS Summary of Deposits Web site: www.fdic.gov

Income Characteristics

Based on the 2000 U.S. Census, the median family income for the bank's assessment area is \$42,785 compared with the State of Ohio's median family income of \$50,037.

Additionally, there are 45,069 households and 34,510 (76.57%) are designated as families with 16.75% low-income, 20.36% moderate-income, 25.82% middle-income, and 37.07% upper-income. Of these, 2,799 (8.11%) have incomes below the poverty level. Since most of the families in the assessment area are middle- and upper-income families, the majority of lending would be expected in these income categories.

Housing

According to the 2000 U.S. Census, there are 49,021 housing units in the assessment area, of which 71.03% of the housing units in this assessment area were owner-occupied, while 20.97% are rental units and 8.00% were vacant. The median age of the housing stock is 33 years. U.S. Census data indicated that the assessment area's median housing value is \$98,478.

The 2000 U.S. Census data revealed that a majority of the housing units are in middle-income census tracts, since the assessment area is comprised of a majority of middle-income geographies. As a result, a majority of the mortgage lending would be expected in middle-income census tracts.

Economics

According to the Ohio Department of Development,² major employers in Holmes County are Case Foods Inc., Collins & Aikman Corp., East Holmes Local Board of Education, and Owens-Illinois Inc. In Knox County, the major employers are Ariel Ltd., JELD-WEN Inc., Kenyon College, and Knox Community Hospital. In Tuscarawas County, the major employers are Alamo Group, Allied Machine & Engineering, Dover City Board of Education, and New Philadelphia City Board of Education. In Ashland County, the major employers are Ashland City Board of Education, Ashland University, Mansfield Plumbing Products, and McGraw-Hill Companies. In Coshocton County, the major employers are AK Steel, American Electric Power Company, Coshocton City Board of Education, and Coshocton County Government. In Wayne County, major employers are College of Wooster, Frito-Lay, JM Smucker Company, and LuK Inc.

According to the Job and Family Services,³ unemployment rates as of August 2008 are:

Holmes	5.20%	Knox	6.70%
Wayne	6.10%	Ashland	7.00%
Tuscarawas	6.40%	Coshocton	9.40%

² www.odod.state.oh.us

³ www.lmi.state.oh.us

Except for Holmes and Wayne County, the unemployment rates were higher than the national rate of 6.10%. Coshocton County was the only county that exceeded the statewide unemployment rate of 7.10%.

Amish Community

The bank's assessment area is particularly unique in that it is home to one of the largest Amish settlements in the world. Within Holmes County, the Amish comprise approximately 40% of the population and the population is continuing to grow. While there are a large percentage of Amish living in the bank's assessment area, there are also a significant number of Amish families who live in the counties surrounding the bank's assessment area. Although beliefs vary by orders, all Amish espouse what is referred to a "plain" lifestyle that eschews modern or worldly amenities, limits education to the eighth grade, requires plain dress, and focuses on taking care of its own community. The most conservative of the Amish orders, the Swartzentruber, live extremely simple lifestyles.

Lending opportunities within the Amish community are somewhat limited for area financial institutions, not only because the Amish do not own automobiles or personal items that are often purchased on credit, but also because they have their own means of providing financial assistance to its community. The Amish Aid Fund is a source of funding to help Amish families respond to emergency needs ranging from illness or other medical needs to losses from fire or farm losses.⁴ Members of more than 100 Amish congregations participate in maintaining the Fund through private donations and fundraisers. The Fund is administered by a trustee designated by the bishop. Recipients are generally required to pay the first \$2,000 of their expenses out of their own pocket, with the remaining monies, up to a specified maximum, provided by the Fund. Once the emergency is addressed, the family repays the Fund. The Fund trustee also offers financial counseling and can help families develop a budget and manage their bills.

As a result of growing interest in the Amish community and their culture, tourism plays a major role in the area's economy. Additionally, much of the light industry, such as woodworking, further supports tourism.

The demographic table that follows illustrates the bank's entire assessment area.

⁴ www.amish-heartland.com

Combined Demographics Report

The Killbuck Savings Bank Company

Analysis Year: 2007

Assessment Area(s): NonMSA OH

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	5,781	16.8
Moderate-income	0	0.0	0	0.0	0	0.0	7,027	20.4
Middle-income	28	96.6	33,561	97.3	2,756	8.2	8,910	25.8
Upper-income	1	3.4	949	2.7	43	4.5	12,792	37.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	29	100.0	34,510	100.0	2,799	8.1	34,510	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	47,829	33,817	97.1	70.7	10,129	21.2	3,883	8.1
Upper-income	1,192	1,002	2.9	84.1	150	12.6	40	3.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	49,021	34,819	100.0	71.0	10,279	21.0	3,923	8.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	4,520	97.8	4,010	97.5	380	99.7	130	100.0
Upper-income	104	2.2	103	2.5	1	0.3	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,624	100.0	4,113	100.0	381	100.0	130	100.0
	Percentage of Total Businesses:			88.9		8.2		2.8

Community Contacts

Two community contacts were utilized in conjunction with this evaluation. One contact was located in Wayne County and the other was located in Coshocton County.

Negative effects of the weakened economy and high unemployment rates were a primary emphasis of both interviewees. According to both contacts, the area has lost thousands of jobs over the last few years, thereby increasing the financial needs of the area's residents. Although many individuals have significant financial and credit needs, both organizations stated that local financial institutions adequately address the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Killbuck's record of meeting the credit needs of its assessment area is reasonable based on the factors in this evaluation.

Loan-to-Deposit Ratio

A financial institution's loan-to-deposit ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the numbers of quarters.

Killbuck's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 73.20% over the past nine quarters of operation and is below the peer group average of 86.94%⁵. The bank had an increase in deposit volume (17.76%) through the nine quarters and fluctuations in loan volume causing a decrease in the ratios through the period. The bank had a slight increase in loan volume (0.70%) through the nine quarters.

Although Killbuck's loan-to-deposit ratio has been consistently lower than those of its peers, this ratio is considered adequate, as the institution has experienced significant competition from other financial service organizations within its area. Despite considerable competition, the bank actively seeks to offer credit and other financial services to its customers and consumers within the community.

The following table shows Killbuck's quarterly loan-to-deposit ratios for nine quarters since the previous evaluation, along with the average loan-to-deposit ratio for the same period for the bank and the peer.

Killbuck Loan-to-Deposit Ratios				
As of Date	Net Loans(000s)	Total Deposits (000s)	Bank Ratio	Peer Ratio
June 30, 2008	198,234.00	288,378.00	68.74%	90.97%
March 31, 2008	201,461.00	289,141.00	69.68%	89.47%
December 31, 2007	196,689.00	285,670.00	68.85%	89.45%
September 30, 2007	199,995.00	280,499.00	71.30%	88.56%
June 30, 2007	202,912.00	273,096.00	74.30%	87.86%
March 31, 2007	204,017.00	270,996.00	75.28%	86.56%
December 31, 2006	192,105.00	264,587.00	72.61%	86.83%
September 30, 2006	197,100.00	253,764.00	77.67%	81.50%
June 30, 2006	196,847.00	244,884.00	80.38%	81.26%
Quarterly Loan-to-Deposit Ratio Average Since Previous Evaluation			73.20%	86.94%

Lending in the Assessment Area

⁵ Killbuck's peer group consists of all insured commercial banks having assets between \$300 million and \$1 billion.

The following table illustrates that the percentage of loans made inside the assessment area was approximately 94.10%. This table depicts that a substantial majority of loans, as measured by the number of loans were originated inside the bank's assessment area. Further, a substantial majority of loans, taken as dollar amount, were also made inside the assessment area at 92.50%.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$ (000s)	%	# of Loans	%	\$ (000s)	%
Small Business	602	93.9	63,131	91.2	39	6.1	6,098	8.8
Refinance	90	93.8	10,202	93.8	6	6.3	680	6.2
Home Purchase	78	94.0	9,604	96.7	5	6.0	330	3.3
Home Improvement	50	98.0	5,096	98.8	1	2.0	60	1.2
Total	820	94.1	88,033	92.5	51	5.9	7,168	7.5

Geographic Distribution of Lending

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among different census tracts within the assessment area. Killbuck's loan production reflects a reasonable penetration of lending among various income census tracts within its assessment area.

Killbuck did not lend in three of its 29 census tracts. The three tracts were all middle-income tracts, with one tract located in Knox County and two tracts located in Wayne County. All branches, the loan production office, and the cash-only ATM are located in middle income census tracts.

Due to the lack of low- and moderate-income census tracts in this assessment area, geographic distribution was weighted less heavily, in relation to the bank's performance context and borrower distribution. However, since the CDFI has defined three middle-income census tracts within the bank's assessment area (located in Coshocton County), as distressed areas due to unemployment, the bank's level of lending within these areas was given additional consideration in evaluating the bank's overall geographic distribution of lending.

Small Business Loans

Killbuck originated 602 small business loans, totaling approximately \$63.1 million during this evaluation period. Business demographics revealed that there are 4,113 small businesses in the bank's assessment area, of which approximately 97.50% are located in middle-income geographies and 2.50% are located in upper-income geographies. Approximately 98.84% of Killbuck's small business loans were made in middle-income census tracts, which exceeded the total of 97.50% of small businesses located in middle-income geographies. Approximately 1.16% of the bank's small business loans were made in upper-income census tracts, which was below the total of 2.50% of small business located in the bank's one upper-income census tract. This level of lending and the demographics of Killbuck's assessment area indicate that the bank proportionally provided small business loans throughout its community.

Mortgage Loans

The geographic distribution of mortgage loans was assessed by comparing the percentage of loans made within the bank's census tracts to the percentage of owner-occupied housing units within the assessment area's census tracts. There are a total of 34,819 owner-occupied housing units located in Killbuck's assessment area. Specifically, there are 33,817 (97.12%) owner-occupied housing units located in the bank's middle-income census tracts and 1,002 (2.88%) owner-occupied housing units located in Killbuck's one upper-income census tract. Killbuck originated 32 mortgage loans (14.7%) in the three distressed tracts. Killbuck's overall geographic distribution of mortgage lending is appropriate based on its lending performance and demographics unique to its assessment area.

Home Refinance

Killbuck originated 90 home refinance loans for a total of approximately \$10.2 million during this evaluation period. All of its home refinance loans were made in middle-income census tracts. This level of lending exceeded the aggregate of 97.12% of owner-occupied housing units in the bank's middle-income census tracts.

Home Purchase

Killbuck originated 78 home purchase loans for approximately \$9.6 million during this evaluation period. Approximately 98.72% of the bank's home purchase loans were made in middle-income census tracts, which exceeded the aggregate of 97.12% of owner-occupied housing units in the bank's middle-income geographies. Approximately 1.28% of the bank's home purchase loans were made in upper-income census tracts, which was below the total of 2.88% of owner-occupied housing units in the bank's upper-income census tract. Although Killbuck's home purchase lending in upper-income census tracts was below aggregate, the bank's overall performance and demographic characteristics indicate that home purchase loans were proportionally provided throughout the bank's assessment area.

Home Improvement

Killbuck originated 50 home improvement loans for approximately \$5 million during this evaluation period. All of the bank's home improvement loans were made in middle-income census tracts, which exceeded the aggregate of 97.12% of owner-occupied housing units in the bank's middle-income geographies.

Borrower Distribution of Lending

Based on the demographic characteristics of its assessment area, Killbuck’s lending patterns regarding the dispersion of credit to borrowers of different income levels and to businesses of different revenue sizes received greater weight than geographic distribution, in relation to the bank’s performance context. Based on an analysis of this information for all product lines reviewed (details listed below) and considering that 8.11% of the families within the assessment area are living below the poverty level, Killbuck has a reasonable penetration of lending to borrowers of different income levels.

Lending to Businesses with Different Revenues Sizes

Small Business Loans

An analysis of small business lending data was conducted to ascertain the extent of lending to businesses of different revenue sizes, including small businesses. Of the 602 small business loans originated by the bank, approximately 79.57% were made to businesses with \$1 million or less in revenues, which was below the total 88.95% of small businesses in the assessment area.

Further analysis of Killbuck’s small business lending shows that a substantial majority of the bank’s business loans (approximately 80.57%) were for loan amounts of \$100,000.00 or less. Smaller size loans are generally commensurate with the borrowing needs of smaller businesses. This further supports the bank’s level of lending to smaller businesses and demonstrates that Killbuck is adequately meeting the credit needs of local businesses.

Based on this analysis, the bank’s level of lending to small businesses is considered reasonable.

Lending to Borrowers of Different Income Levels

Borrower Distribution of Real Estate Loans										
Assessment Area(s): NonMSA OH										
	Total Real Estate Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Improvement	50	22.9	16.8	4.0	20.4	20.0	25.8	34.0	37.1	42.0
Home Purchase	78	35.8	16.8	9.0	20.4	20.5	25.8	33.3	37.1	26.9
Refinance	90	41.3	16.8	10.0	20.4	25.6	25.8	21.1	37.1	37.8

Home Refinance

Of the 90 home refinance loans originated during this evaluation period, 10.00% of these loans were made to low-income families, which is below the aggregate of 16.75% of low-income families in Killbuck’s assessment area. Although this figure is below the total of low-income families, this level of lending is considered reasonable based on the demographic composition of the bank’s assessment area and the level of poverty.

Home refinance loans to moderate-income families represented approximately 25.56% of the bank's total home refinance loans. This exceeded the total of 20.36% of moderate-income families within the bank's assessment area and reflects an excellent level of lending to moderate-income families. The bank made 21.11% of its home refinance loans to middle-income families, which was below the total of 25.82% of middle-income families in the assessment area. Home refinance loans to upper-income families accounted for 37.78% of the bank's total home refinance loans. This figure is slightly above the total of 37.07% of upper-income families in Killbuck's assessment area. These performance levels, coupled with the demographic characteristics of the bank's community, indicate that Killbuck's performance of providing home refinance loans to borrowers of different income levels was reasonable.

Home Purchase

Of the 78 home purchase loans originated during this evaluation period, approximately 8.97% of these loans were made to low-income families, which is below the aggregate of 16.75% of low-income families in Killbuck's assessment area. Although this figure is below the total of low-income families, this level of lending is considered reasonable based on the demographic composition of the bank's assessment area. Home purchase loans to moderate-income families represented approximately 20.51% of the bank's total home purchase loans. This figure slightly exceeded the total of 20.36% moderate-income families within the bank's assessment area and reflects an excellent level of lending to moderate-income families. The bank made approximately 33.33% of its home purchase loans to middle-income families, which exceeded the total of 25.82% of middle-income families in the assessment area. Home purchase loans to upper-income families accounted for 26.92% of the bank's total home purchase loans, which was below the total of 37.07% of upper-income families in Killbuck's assessment area. Based on these levels of lending and the demographics of its assessment area, Killbuck's performance of providing home purchase loans to borrowers of different income levels is reasonable.

Home Improvement

Of the 50 home improvement loans originated during this evaluation period, approximately 4.00% of these loans were made to low-income families, which is below the total of 16.75% of low-income families in the bank's assessment area. Although this figure is below the total of low-income families, this level of lending is considered reasonable based on the demographic composition of the bank's assessment area. Home improvement loans to moderate-income families represented approximately 20.00% of Killbuck's total home improvement lending. This level of lending was slightly below the total of 20.36% of moderate-income families in the assessment area and is considered reasonable. The bank made approximately 34.00% of its home improvement loans to middle-income families, which exceeded the total of 25.82% of middle-income families in the assessment area. Home improvement loans to upper-income families accounted for approximately 42.00% of the bank's total home improvement lending, which exceeded the total of 37.07% of upper-income families in the assessment area. Based on these levels of lending and the demographics of its assessment area, Killbuck's performance of providing home improvement loans to borrowers of different income levels is reasonable.

Community Development Test

The bank is rated “Satisfactory” under the community development test.

Killbuck’s community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering its capacity and the needs and availability of such opportunities for community development within its assessment area. There are limited community development opportunities within its assessment area, largely due to economic conditions and geography. However, Killbuck adequately extends community development loans and qualified investments. Additionally, Killbuck employees are engaged in various other community activities.

Community Development Lending

Killbuck has demonstrated an excellent responsiveness to community development lending needs within its assessment area. The bank originated three community development loans totaling \$1,099,620.76 during this evaluation period. One loan was to an affordable housing organization. Two of the community development loans were for facilities acquisition or improvement for organizations that provide services to low- and moderate-income individuals or that support local small businesses and small farms.

Qualified Investments

Killbuck’s investments were in forms of donations to various community development organizations, reflecting an adequate responsiveness to community development needs. Total qualified donations made during this evaluation period were \$34,952.56, which is approximately a 10.00% increase in donations from the previous evaluation period. Thirteen donations (\$23,261.05) supported community development service. Five donations (\$11,556.66) supported economic development for small businesses and small farms or revitalization. One qualified donation (\$134.85) supported affordable housing.

Community Development Services

As previously mentioned, there are no low- or moderate-income census tracts within Killbuck’s assessment area. However, the bank’s employees reach out to the community through participation in various local community development organizations, in order to provide meaningful community development services to sectors of the community in need. These services include serving on boards of local organizations and offering a variety of financial services to these organizations. Although bank employees participate in meaningful capacities in various local organizations, only those participations providing explicit financial services to organizations with CRA-related purposes were given consideration in the bank’s CRA performance context. Killbuck received consideration for the following community development services:

Evaluation Year: 2006

- Killbuck Community Improvement Corporation - This organization supports local small businesses and small farms. It also supports various economic development projects throughout the community.
- Ohio College Access Network (OCAN) – This organization provides scholarships to students with financial needs.
- Save N’ Serve – This organization provides assistance paying for medical expenses to low- and moderate-income individuals.

Evaluation Year: 2007

- Killbuck Community Improvement Corporation – This organization supports local small businesses and small farms. It also supports various economic development projects throughout the community.
- Kno-Ho-Co Community Action Commission – This organization promotes economic development in Knox, Holmes, and Coshocton Counties and it provides various services to low- and moderate-income individuals.
- Ohio College Access Network (OCAN) – This organization provides scholarships to students with financial needs.
- Rainbow of Hope – This organization pays medical expenses for children of low- and moderate-income families in Holmes, Wayne, and Tuscarawas Counties. This organization also provides rent-free office space to local businesses.
- Save N’ Serve – This organization provides assistance paying for medical expenses to low- and moderate-income individuals.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping meet the credit needs of the community was noted during this evaluation.

APPENDIX A

CRA GLOSSARY

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Block numbering area (BNA): Statistical subdivisions of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies,

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full review: Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Limited review: Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Metropolitan area: Any primary metropolitan statistical area (PMSA), metropolitan statistical area ("MSA"), or consolidated metropolitan area (CMSA), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Optional loans: Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small loans to business: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

APPENDIX B

ASSESSMENT AREA MAP

The Killbuck Savings Bank Company
Assessment Area: NonMSA OH

