

PUBLIC DISCLOSURE

April 11, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Hocking Valley Bank
RSSD ID #230610

7 West Stimson
Athens, Ohio 45701

Federal Reserve Bank of Cleveland

P.O. Box 6387
Cleveland, Ohio 44101-1387

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.

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INSTITUTION'S CRA RATING: Satisfactory

The major factors and criteria contributing to this rating include:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs;
- A substantial majority of loans and other lending related activities are in the institution's assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area;
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) given the demographics of the assessment area and businesses of different revenue sizes; and,
- No CRA-related complaints were received about the institution's performance in meeting assessment area credit needs.

The previous CRA examination conducted January 22, 2007 resulted in a "Satisfactory" performance rating.

SCOPE OF EXAMINATION

The Hocking Valley Bank (HVB) was evaluated using the interagency small bank examination procedures. Under this examination method, the bank's lending activity within its assessment area was evaluated, including the distribution of lending to borrowers of different income levels and businesses of different revenue size. HVB's CRA performance was evaluated based on lending data from January 1, 2010 through September 30, 2010. The lending test included 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 bank's 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 business of different revenue size; and,
- The bank's record of taking action in response to written complaints about its CRA performance in helping to meet credit needs in its assessment areas.

The loan products evaluated included mortgage loans (including home purchase, home improvement, and refinance), small business loans, other consumer loans (including credit cards, personal secured and unsecured loans), and motor vehicle loans. Construction, home equity, and agricultural loans were not included in the evaluation, as they comprise a small portion of the bank's lending portfolio.

The following table illustrates the volume and distribution of loans originated during the evaluation period:

Loan Type	Number of Loans	Dollar Amount of Loans (\$000s)
Mortgage Loans	125	14,244
Small Business Loans	101	7,872
Other Consumer Loans	191	1,350
Motor Vehicle Loans	74	856

Given the above distribution, mortgage loans received the greatest weight in this analysis based on number of loans and dollar volume, with the next greatest weight given to small business loans because even though there were fewer loans made than other consumer loans, there was almost six times the dollar amount. Other consumer loans and motor vehicle loans received the least weight because the dollar amount of loans is small when compared to the other two loan categories.

Both the geographic distribution and the borrower distribution received equal weight in this analysis. The size and condition of the institution, lending opportunities within the assessment area, and competition with other institutions were also considered in the bank's performance context.

DESCRIPTION OF INSTITUTION

HVB is a state member bank and a subsidiary of Hocking Valley Bancshares, Inc. As of December 31, 2010, HVB had assets of \$233 million, which is approximately a \$63 million (37.0%) increase since the previous CRA evaluation in January 2007. The majority of the increase occurred in the bank's securities portfolio, as loan demand declined during the recent economic recession. HVB owns one subsidiary, Net Enterprises, which provides data processing and is located in Athens, Ohio. Another subsidiary of Hocking Valley Bancshares, HVBS Holdings, LLC, leases residential dwellings.

The bank's main office is located in Athens, Ohio, which has a full-service automated teller machine (ATM). HVB operates three other branches with full-service ATMs and one cash-dispensing ATM in Athens. HVB has branches with full-service ATMs located in The Plains, Ohio, Coolville, Ohio, and Albany, Ohio, as well as a cash-dispensing ATM in Albany, Ohio. An ATM located at Seaman's Supermarket, 305 West Union Street, Athens, Ohio, closed since the previous CRA evaluation.

HVB is a full-service retail bank offering business and consumer deposit accounts and commercial, agricultural, residential mortgage, and consumer loans. According to the December 31, 2010 Uniform Bank Performance Report (UBPR), loans represent about 60.0% of HVB's total assets. HVB is primarily a real estate lender, with 83.0% of loans secured by real estate, 12.0% commercial loans, 6.0% individual loans, and less than 1.0% agricultural loans. The following table shows the bank's loan portfolio composition as of December 31, 2010.

Loan Type	Percent of Total Loans
Commercial / Industrial & Non Farm Non-Residential Real Estate	44.21%
Loans for Agricultural Production & Secured by Farmland	1.04%
Secured by 1-4 Family Residential Real Estate	48.83%
Consumer Loans	5.21%
All Other Loans	0.71%
Total (gross)	100.00%

HVB's investment portfolio as of December 31, 2010 was \$73.8 million, which represents 32.0% of total assets. Investments in U.S. Treasury and Agency securities and municipal securities each represent 32.0% of investments, while interest-bearing bank balances represent 35.0% of investments. The remaining investment portfolio is made up of other securities and federal funds sold.

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

DESCRIPTION OF ASSESSMENT AREA

HVB has one delineated assessment area encompassing all of Athens County and portions of Meigs, Vinton, and Washington Counties. Tracts outside of HVB's assessment area are the furthest from any branch location and have little or no lending activity. Washington County is included in the Parkersburg-Marietta MSA; however, there are no branches in this county and therefore the lending activity within Washington County is included with the non-metropolitan area of Athens, Meigs, and Vinton Counties. The assessment area consists of one low-income, six moderate-income, twelve middle-income, and three upper-income tracts. One office each is located in a low- and upper-income tract, while the remainder is in middle-income tracts.

The table below depicts the twenty-two census tracts by tract income.

Tracts by Income	Athens	Meigs	Vinton	Washington	Total	Percentage of Total
Low	1	0	0	0	1	4.5%
Moderate	3	2	1	0	6	27.3%
Middle	8	1	1	2	12	54.5%
Upper	3	0	0	0	3	13.6%
Total	15	3	2	2	22	100%

There are ten tracts within the assessment area that are designated distressed or underserved. Within Athens County, eight middle-income tracts were designated as distressed in 2009 and again in 2010. In Meigs County, one-middle income tract was considered distressed and underserved in 2010. The same tract was distressed, but not classified as underserved in 2009. In 2010, one tract in Vinton County was classified distressed. The same tract was listed as both underserved and distressed in 2009. All tracts which were designated as distressed was due to poverty.

Twenty-one financial institutions insured by the FDIC operate 71 branches within the four counties encompassing HVB's assessment area. Based on the FDIC's deposit market share report as of June 30, 2010, HVB ranked third with an 8.72% deposit market share.¹ The following table illustrates deposit market share by financial institutions (top 15) in the assessment area.

¹ <http://www2.fdic.gov/sod/sodMarketRpt.asp?barItem=24.94%>

#	Financial Institution	Deposit Market Share
1	Peoples Bank National Assn.	33.83%
2	JP Morgan Chase Bank NA	13.37%
3	Hocking Valley Bank	8.72%
4	Vinton County NB of McArthur	6.44%
5	Farmers Bank & Savings Co.	5.24%
6	Advantage Bank	3.48%
7	Settlers Bank	3.29%
8	Citizens Bank Co.	3.23%
9	Wesbanco Bank Inc.	2.16%
10	Bartlett Farmers Bank	2.13%
11	Home National Bank	2.10%
12	First NB of McConnelsville	1.73%
13	Citizens Savings Bank	1.66%
14	Peoples Savings Bank	1.61%
15	Belpre Savings Bank	1.58%

Population

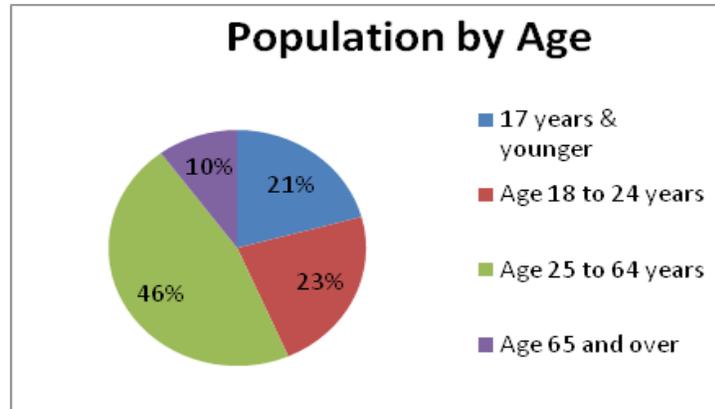
The 2000 data released by the U.S. Census Bureau indicates the population within the bank's assessment area was 95,397. The population is primarily white not-Hispanic (94.3%), with the total minority population at 5.7%. The largest minority group within the assessment area is the black not-Hispanic population, comprising of 2.1% of the total minority population. No county within the assessment area has a minority population greater than 7.2%. According to the Census data, population within the counties of the bank's assessment area is as follows:²

Counties	2000	2009
Athens	62,223	63,026
Meigs	23,072	22,838
Vinton	12,806	13,228
Washington	63,251	61,048

The estimations show that the populations for Athens and Vinton Counties increased by 1.3% and 3.3%, respectively and the populations for Meigs and Washington Counties decreased by 1.0% and 3.5%, respectively.

The population by age for Athens, Meigs, Vinton, and Washington Counties is distributed as follows:

² <http://quickfacts.census.gov/qfd/index.html>



Approximately 25.0% of the population is under the age of 18, the legal age to enter into a contract, while approximately 69.0% of the population is age of 18 to 64, the prime ages when individuals are generally in need of loans.

Income Characteristics

According to the 2000 Census, there were 35,241 households within the assessment area, of which 22,451 (64.0%) were designated as families. Of these families, 23.5% were low-income, 20.5% were moderate-income, 21.2% were middle-income, and 34.8% were upper-income. In the assessment area, 12.3% of the families were below the poverty level, which is substantially higher than the State of Ohio at 7.8%.

The median family income for the assessment area was \$38,923, compared to the State of Ohio at \$50,037 and the nonmetropolitan statewide area at \$43,801. According to the Department of Housing and Urban Development (HUD) for 2009, the median family income (MFI) for the nonmetropolitan areas had increased to \$53,800 and the State of Ohio's MFI had increased to \$60,061.

The median household income for the assessment area was \$29,172, compared to the state median household income of \$40,956 and the nonmetropolitan statewide area at \$36,916. According to the U.S. Census Bureau for 2009, the median household income for the state increased to \$45,395.

Labor, Employment, and Economics

The following table illustrates land use in each county in the assessment area:³

³ www.development.ohio.gov/research

County	Urban	Cropland	Pasture	Forest	Open Water	Bare/Mines
Athens	2.47	5.62	12.96	77.79	0.76	0.40
Meigs	1.45	7.38	9.74	80.48	0.84	0.10
Vinton	0.48	6.5	9.29	82.46	0.58	0.69
Washington	3.81	7.09	12.12	75.81	1.00	0.17
Average	2.05	6.65	11.03	79.14	0.80	0.34

As shown above, there is a fair amount of crop and pasture land and very few urban areas, while the majority of the land in the assessment area is forest.

In Athens County, education plays a major role, as both Ohio University and Hocking University serve as large employers. Athens County has four school districts (Alexander, Athens City, Federal Hocking, and Nelsonville-York) that also serve as primary employers. Other large employers are Diagnostic Hybrids, Inc. (biotechnical manufacturing); ED MAP, Inc. (educational support services); and O’Bleness Memorial Hospital. Primary employers in Meigs County are the local school districts (Eastern, Meigs, and Southern) and Gatling Coal Company and Karr Contracting. Similarly, in Vinton County, major employers include the local school district, Community Bancshares, Inc. (financial), Austin Powder (manufacturing), Crownover Lumber, and Sands Hill Coal. Lastly, major employers in Washington County include Marietta City Schools, American Electric Power (utilities), Energizer Battery (manufacturing), and Pioneer Pipe (manufacturing).

According to 2009 Dun & Bradstreet data, there were 3,294 small businesses and small farms within the assessment area. The major business activities include waste and removal services (19.4%), other services (13.7%), retail trade (11.1%), construction (9.5%), and professional, scientific, and technical services (6.9%). The majority of businesses (90.7%) have revenues less than \$1 million annually. Most businesses (57.6%) have been in business for more than ten years, with 41.0% of those businesses for more than 25 years.

Vinton and Meigs Counties are heavily rooted in the mining and trucking industry and these areas have experienced job loss and economic slowdown due to the economic recession. In addition, the bank and its surrounding areas have not seen much new construction; thus, contractors and suppliers have suffered as a result.

A major aspect of the bank’s performance centers on the presence of Ohio University in the heart of Athens. The university is located in the low-income tract and the area is majority non-owner occupied student housing. There is little demand for loans in this area and surrounding moderate income tracts due to the nature of the financial needs of college students. Most of the students secure non-traditional financing, such as government loans through the university, if needed. In the far reaches of Athens County, it is 10 to 15 miles to the closest bank branch; thus, people may go into Perry, Ohio for their banking needs. Small businesses have not sought as much financing as in the past and there is competition for business loans in the bank’s assessment area.

Meigs County has the highest unemployment rate, which is somewhat similar to Vinton County, but higher than the remaining counties, the State of Ohio, and the national rate. One community contact experienced with the job market in Meigs County indicated that even in a stable economy, the unemployment rate is still often in the double digits, so the current rate is not unusual. The recent closing of a plant located in West Virginia but in close proximity to the Ohio border as well as a plant downsizing in Ohio could also contribute to the high Meigs County unemployment rate.

The following table shows unemployment rates⁴ for December 2010 (not seasonally adjusted) for each county in the assessment area compared to the State of Ohio and national rates.

Unemployment Rates	
National	9.10%
Ohio	9.20%
Athens	8.50%
Meigs	13.60%
Vinton	12.40%
Washington	9.0%

The percentage of children receiving free or reduced lunches further substantiate challenges facing this local economy. According to the most recent data available (2008),⁵ 27.7% of students in Ohio received free/reduced lunches, which is similar to the rate in Washington County at 27.9%. Athens County had a relatively higher rate of 34.4%. Vinton and Meigs Counties had much higher rates at 42.4% and 46.9%, respectively. These higher rates directly correlate with the higher poverty and unemployment rates in these counties.

Housing

HVB's assessment area contains 39,429 housing units, of which 61.9% are owner-occupied, 27.4% are rental, and 10.7% are vacant. Single-family units comprise 75.0% of the housing units, while two-to-four family units comprise 6.5%, multi-family units comprise 8.4%, and mobile homes comprise 23.0% of the housing units. The median age of housing stock in the assessment area is 28 years and the median housing value is \$71,269.

The affordability ratio for the assessment area is 40.0%. For Athens, Meigs, Vinton, and Washington Counties, the affordability ratios are 36.0%, 49.0%, 48.0%, and 44.0%, respectively. The lower affordability ratio for Athens County reflects higher housing demand and costs and can likely be attributed to the presence of Ohio University.

Based on the median family income, approximately 60.0% of homes in the assessment area would be affordable for low-income individuals and about 80.0% affordable for moderate-income individuals, using a mortgage payment equal to 30.0% of gross income.

⁴ Ohio Department of Job and Family Services

⁵ www.datacenter.kidscount.org

As a result of economic conditions, the region in general has seen a decline in sales of homes and less reliance on financial institutions for real estate-secured lending. According to information from the Ohio Association of Realtors,⁶ 14 homes were sold in Athens County in January 2011, which is down 30.0% from one year ago. The total dollar volume (\$1.4 million) was also down by 15.1% from one year ago; however, the average sale price is up 21.2% to \$101,686.

The foreclosure rates⁷ in Athens, Meigs, Vinton, and Washington Counties during third quarter 2010 were .21%, .06%, .02%, and .06%, respectively. These can be compared to the overall rate of foreclosure in 2010 for the State of Ohio, which was 4.8%.⁸

The median gross rent for the assessment area is \$460. For Athens, Meigs, Vinton, and Washington Counties, the median gross rents are \$469, \$351, \$391, and \$400, respectively. The higher gross rent for Athens County reflects the higher demand for rent. One factor that could be the result of this increased demand is the considerable student population of Ohio University in Athens.

The following table contains relevant demographic data used in the performance evaluation.

6 www.ohiorealtors.org

7 www.realtytrac.com

8 <http://www.clevelandfed.org/research/trends/2010/1110/01houcon.cfm>

Combined Demographics Report

Hocking Valley Bank

Assessment Area: NonMSA Southeast OH

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.5	185	0.8	70	37.8	5,282	23.5
Moderate-income	6	27.3	6,982	31.1	1,138	16.3	4,597	20.5
Middle-income	12	54.5	12,710	56.6	1,344	10.6	4,749	21.2
Upper-income	3	13.6	2,574	11.5	210	8.2	7,823	34.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	22	100.0	22,451	100.0	2,762	12.3	22,451	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,252	73	0.3	5.8	1,121	89.5	58	4.6
Moderate-income	11,731	7,560	31.0	64.4	2,612	22.3	1,559	13.3
Middle-income	21,255	13,931	57.1	65.5	5,150	24.2	2,174	10.2
Upper-income	5,191	2,834	11.6	54.6	1,924	37.1	433	8.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	39,429	24,398	100.0	61.9	10,807	27.4	4,224	10.7
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	106	3.1	89	2.9	9	6.4	8	4.3
Moderate-income	842	25.0	755	24.8	34	24.1	53	28.6
Middle-income	1,890	56.0	1,723	56.5	69	48.9	98	53.0
Upper-income	535	15.9	480	15.8	29	20.6	26	14.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,373	100.0	3,047	100.0	141	100.0	185	100.0
Percentage of Total Businesses:			90.3		4.2		5.5	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	1	0.4	1	0.4	0	0.0	0	0.0
Moderate-income	65	28.8	65	28.8	0	0.0	0	0.0
Middle-income	147	65.0	147	65.0	0	0.0	0	0.0
Upper-income	13	5.8	13	5.8	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	226	100.0	226	100.0	0	0.0	0	0.0
Percentage of Total Farms:			100.0		0.0		0.0	

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The following table shows HVB's quarterly loan-to-deposit (LTD) ratios for the sixteen quarters since the previous evaluation, along with the average LTDs for the same period. The table includes the national peer ratio and three local institutions. The custom peer group is the combined totals of the three local peer institutions.

Loan-to-Deposit Ratios						
As of Date	Bank Ratio	Peer Ratio⁹	Farmers¹⁰	First Bank¹¹	Citizens¹²	Custom Peer
December 31, 2010	67.74	74.77	85.43	52.58	80.58	72.86
September 30, 2010	69.66	76.55	85.25	54.87	87.05	75.72
June 30, 2010	72.14	77.14	84.51	57.25	85.17	75.65
March 31, 2010	73.31	76.41	85.73	59.99	85.65	77.12
December 31, 2009	72.95	77.6	87.86	61.33	85.53	78.24
September 30, 2009	76.58	79.78	89.20	64.66	80.62	78.16
June 30, 2009	73.49	80.13	84.54	65.89	80.39	76.94
March 31, 2009	79.38	79.38	82.92	63.86	82.04	76.27
December 31, 2008	79.27	82.02	84.35	62.57	90.36	79.09
September 30, 2008	78.09	82.89	84.44	62.95	89.40	78.93
June 30, 2008	77.10	81.25	83.14	50.47	89.95	74.52
March 31, 2008	78.07	79.54	83.53	50.96	92.08	75.52
December 31, 2007	80.05	80.61	83.81	54.12	88.51	75.48
September 30, 2007	80.71	81.11	81.70	55.07	87.01	74.60
June 30, 2007	83.37	80.63	83.84	41.71	81.57	69.04
March 31, 2007	86.00	79.18	81.79	41.23	80.51	67.84
Quarterly LTD Ratio since the Previous Exam	76.74	79.31	84.50	56.22	85.40	75.37

⁹ HVB's national peer group consists of all insured commercial banks having assets between \$100 million and \$300 million, with three or more full service banking offices and not located in a metropolitan statistical area. Each of the banks making up the custom peer group is a member of this same peer group.

¹⁰ The Farmers Bank and Savings Company, Pomeroy, Ohio

¹¹ First Bank of Ohio, Tiffin, Ohio

¹² The Citizens Bank of Logan, Logan, Ohio

The bank has averaged a 76.7% LTD ratio over the past 16 quarters since the last evaluation. The bank's LTD ratio peaked in the first quarter 2007 and has generally declined since then. This downward trend occurred because loan demand weakened as a result of the economic recession, creating a scenario where deposits grew faster than loans. A similar trend occurred with First Bank of Ohio (peaking in early 2009). Both Citizens Bank of Logan and Farmers Bank have remained relatively stable. Each of these banks making up the custom peer group belong to the same peer group as HVB and have branches located in proximity to HVB branches in nonmetropolitan areas. HVB also considers the local branches of JP Morgan Chase NA as competitors.

HVB's average LTD ratio of 76.7% is slightly lower than the national peer group average LTD ratio of 79.3%. The customer peer group average LTD ratio of 75.4% is slightly lower than both HVB's average LTD ratio and the national peer group average LTD ratio. The custom peer group average reflects the impact of First Bank of Ohio's LTD ratios, which are lower than HVB, Citizens Bank of Logan, Farmers Bank, and the national peer group LTV ratios.

HVB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

Lending in the Assessment Area

The table below depicts HVB's volume of loans extended inside and outside of the bank's assessment area during the evaluation period.

Lending Inside and Outside the Assessment Area												
Loan Type	Inside				Outside				Total			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Mortgage	117	93.6	13,276	93.2	8	6.4	968	6.8	125	100	14,244	100
Small Business	97	96.0	7,390	93.9	4	4.0	482	6.1	101	100	7,872	100
Motor Vehicle	69	93.2	801	93.7	5	6.8	54	6.3	74	100	855	100
Other Consumer	177	92.7	1,287	95.3	14	7.3	63	4.7	191	100	1,350	100
<i>Total Loans</i>	<i>460</i>	<i>93.7</i>	<i>22,755</i>	<i>93.6</i>	<i>31</i>	<i>6.3</i>	<i>1,567</i>	<i>6.4</i>	<i>491</i>	<i>100</i>	<i>24,322</i>	<i>100</i>

The table illustrates that a substantial majority of the bank's loans were made inside of its assessment area, both by number and dollar amount.

Geographic Distribution of Lending

HVB's geographic distribution reflects a reasonable dispersion throughout the assessment area.

The bank made a total of 297 loans in all of the distressed and underserved tracts. Performance context is also taken into account when evaluating the geographic distribution of lending.

During the evaluation period, HVB did not originate any loans in one moderate-income tract (9530.00) in Vinton County. The reason for this could be that the tract is in McArthur, Ohio, which is home to four of HVB's competing community banks. The closest office to this county and the Meigs County tracts is the Albany office, which is still about 15 miles away.

Mortgage Loans

The bank originated 117 mortgage loans during the evaluation period totaling \$13.3 million. Of these loans, five were made in low-income tracts (4.3%), which is excellent compared to the 0.3% of owner-occupied units in this tract. Five loans were made in moderate-income tracts (4.3%), which is poor compared to the 31.0% of owner-occupied units in these geographies. The bank originated 66 mortgage loans (56.4%) in middle-income tracts, which is similar to the percentage of owner-occupied units in middle-income tracts (57.1%). In making 41 mortgage loans (35.0%) in upper-income tracts, the bank exceeded the percentage of owner-occupied units in these geographies (11.6%).

The bank did not originate any mortgage loans in two moderate-income tracts and five middle-income tracts. These gaps could be due to a few different factors. One of the middle-income tracts is 92.7% renter-occupied and less than 3.0% owner-occupied, which reveals a limited opportunity for the bank to make mortgage loans in this area. This tract is made up of mostly university-owned land and only holds 12 owner-occupied dwellings. Additionally, the other six tracts are outside of Athens County, where there is more competition present and no branch or ATM locations. The tracts located in Meigs and Washington County (which borders the tract containing the Coolville branch) are about 15-20 miles away from the Coolville branch.

Based on this analysis and information in the performance context, the bank has an adequate dispersion of home mortgage lending throughout the assessment area. The table below represents the geographic distribution of lending of mortgage loans.

Geographic Distribution of Mortgage Loans										
Assessment Area: Southeast Nonmetropolitan Ohio										
	Total HMDA Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Owner Occ Units	% of Bank Loans	% of Owner Occ Units	% of Bank Loans	% of Owner Occ Units	% of Bank Loans	% of Owner Occ Units	% of Bank Loans
Residential Mortgage	117	100.0	0.3	4.3	31.0	4.3	57.1	56.4	11.6	35.0

Small Business Loans

The bank originated 97 small business loans during the evaluation period totaling \$7.4 million. Of the 97 loans originated, the bank originated five (5.2%) loans in low-income tracts, which is excellent compared to the 3.1% of businesses located in low-income tracts. The bank originated five loans (5.2%) in moderate-income tracts, which is poor compared to the 25.0% of businesses located in moderate-income tracts. The bank made 62 small business loans (63.9%) in middle-income tracts and 25 loans (25.8%) in upper-income tracts. These amounts exceed the 56.0% of businesses located in middle-income tracts and 15.9% located in upper-income tracts.

In addition, the bank did not originate any small business loans in one moderate-income tract and two middle-income tracts. The two middle-income tracts with no loans made during this time period are located in Washington County, where there is only a small number of businesses and the closest branch is in Coolville, which is approximately 20 miles away. Based on this analysis and information in the performance context, the bank’s distribution of small business lending is considered adequate. The table below represents the geographic distribution of lending of small business loans.

Geographic Distribution of Small Loans to Businesses										
Assessment Area: Southeast Nonmetropolitan Ohio										
	Total Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Business	% of Bank	% of Business	% of Bank	% of Business	% of Bank	% of Business	% of Bank
Small Business	97	100.0	3.1	5.2	25.0	5.2	56.0	63.9	15.9	25.8

Other Consumer Loans

The bank originated 177 other consumer loans totaling \$1.3 million within its assessment area. The bank originated one loan (0.6%) in low-income tracts, which was less than the percentage of households (3.3%) in this geography and considered poor. The bank originated 24 loans (13.6%) in moderate-income tracts, which is lower than the percentage of households (28.9%) in these geographies and is also considered poor. The bank made 124 loans (70.1%) in middle-income tracts and 28 loans (15.8%) in upper-income tracts as compared to the 54.3% and 13.5% of households in these geographies, respectively.

Based on this analysis and information in the performance context, the distribution of other consumer lending is considered poor.

Motor Vehicle Loans

The bank originated 69 motor vehicle loans totaling \$801,000 for the evaluation period, of which none were originated in low-income tracts, lower than the 3.3% of households in low-income tracts and considered poor. The bank originated six (8.7%) loans in moderate-income tracts, which is lower than the 28.9% of households in moderate-income tracts and is also considered poor.

The bank made 52 loans (75.4%) in middle-income tracts, which is more than the 54.3% of households in middle-income tracts. The bank made 11 loans (15.9%) in upper-income tracts, which is similar to the 13.5% of households in these geographies.

Based on this analysis and information in the performance context, the distribution of motor vehicle loans is considered poor.

The table below represents the geographic distribution of lending of consumer loans.

Geographic Distribution of Consumer Loans										
Assessment Area: Southeast Nonmetropolitan Ohio										
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Hhlds	% of Bank Loans	% of Hhlds	% of Bank Loans	% of Hhlds	% of Bank Loans	% of Hhlds	% of Bank Loans
Motor Vehicle	69	28.0	3.3	0.0	28.9	8.7	54.3	75.4	13.5	15.9
Other Consumer	177	72.0	3.3	0.6	28.9	13.6	54.3	70.1	13.5	15.8

Borrower Distribution of Lending

The bank's lending patterns regarding the distribution of credit among borrowers of different income levels and to businesses of different revenue sizes is considered reasonable. Performance context is also taken into account when evaluating the borrower distribution of lending.

Mortgage Loans

The bank originated 117 mortgage loans during this evaluation period. Of these loans, seven (6.0%) were made to low-income borrowers, which is significantly less than the percentage of low-income families in the assessment area at 23.5% and is considered poor. The bank originated 14 loans (12.0%) to moderate-income borrowers, which is less than the percentage of moderate-income families at 20.5% and is considered poor.

The bank originated 22 loans (18.8%) to middle-income borrowers, which is less than the percentage of middle-income families living in the assessment area at 21.2%. Upper-income borrowers received 72 loans (61.5%), which is much greater than the percentage of upper-income families at 34.8%. Two of the loans made by the bank had unknown incomes.

Based on this analysis, the performance context, and taking the 12.3% of families living below poverty into consideration, lending to low- and moderate-income borrowers is considered adequate. In addition, it should be noted that it is sometimes difficult for very low-income borrowers to qualify for mortgage loans. The following table represents the borrower distribution of lending of mortgage loans.

Borrower Distribution of Mortgage Loans										
Assessment Area: Southeast Nonmetropolitan Ohio										
	Total HMDA Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% of Bank	% of Families	% of Bank	% of Families	% of Bank	% of Families	% of Bank
Residential Mortgage	117	100.0	23.5	6.0	20.5	12.0	21.2	18.8	34.8	61.5

Small Business Loans

The bank originated 77 loans (79.4%) to businesses with revenues of \$1 million or less compared to the 90.3% of small businesses in the bank’s assessment area. The loan size was also considered, as smaller loans are generally commensurate with the borrowing needs of smaller businesses. This review showed that 85.6% of the small business loans were for loans amounts of \$100,000 or less, indicating the bank’s willingness to make smaller dollar loans. Based on this analysis and the performance context, the bank’s lending to small businesses is considered good.

The table below represents the borrower distribution of small business lending.

Borrower Distribution of Small Loans to Businesses							
Assessment Area: Southeast Nonmetropolitan Ohio							
	Total Loans		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total	% of Businesses	% of Bank Loans	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000
Small Business	97	100.0	90.3	79.4	85.6	7.2	6.2

Other Consumer Loans

The bank originated 177 other consumer loans during this evaluation period, of which 25 or 14.1% were made to customers with unknown incomes. A total of 53 (29.9%) loans were made to low-income borrowers, which is similar to the 32.2% of low-income households in the assessment area and is considered good. The bank originated 32 loans (18.1%) to moderate-income borrowers, which is more than the 17.6% of moderate-income households in the assessment area and is considered excellent.

The bank made 34 loans (19.2%) to middle-income borrowers, which exceeded the percentage of middle-income households and made 33 loans (18.6%) to upper-income borrowers, which is less than the 32.4% of upper-income households in the assessment area.

Based on this analysis, the performance context and considering the 22.8% of households in the assessment area living below poverty, the borrower distribution of lending of other consumer loans is considered good.

Motor Vehicle Loans

The bank originated 69 motor vehicle loans during this evaluation period. There were four motor vehicle loans (5.8%) made to customers with unknown incomes. A total of 20 (29%) loans were made to low-income borrowers, which is similar compared to the 32.2% of low-income households and is considered good. The bank originated 20 loans (29.0%) to moderate-income borrowers, which is excellent compared to the 17.6% of moderate-income households in the assessment area.

The bank originated 11 (15.9%) loans to middle-income borrowers, which is similar to the percentage of middle-income households at 17.8% and made 14 loans (20.3%) to upper-income borrowers, which is less than the number of upper-income households in the assessment area at 32.4%.

Based on this analysis, the performance context, and taking into consideration the 22.8% of households living below poverty in the assessment area, the bank’s borrower distribution of motor vehicle loans is considered good.

The table below represents the borrower distribution of consumer loans (both motor vehicle and other consumer).

Borrower Distribution of Consumer Loans										
Assessment Area: Southeast Nonmetropolitan Ohio										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% of Bank Loans	% of Hhlds	% of Bank Loans	% of Hhlds	% of Bank Loans	% of Hhlds	% of Bank Loans
Motor Vehicle	69	28.0	32.2	29.0	17.6	29.0	17.8	15.9	32.4	20.3
Other Consumer	177	72.0	32.2	29.9	17.6	18.1	17.8	19.2	32.4	18.6

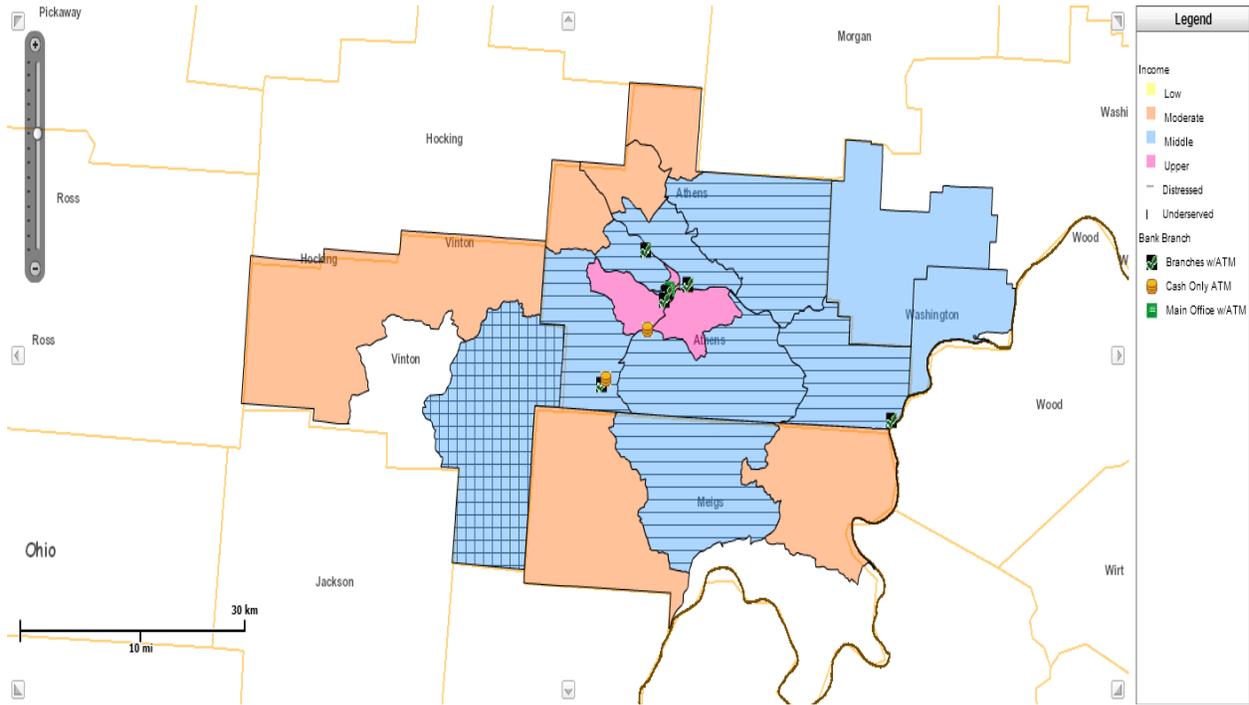
Response to Consumer Complaints

No CRA-related complaints were filed against HVB during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A ASSESSMENT AREA MAP



APPENDIX B
LENDING TABLE

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	12/31/2010		12/31/2009		12/31/2008	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	6,490	4.6%	7,815	5.5%	9,559	7.1%
Secured by One- to Four- Family Dwellings	66,775	47.4%	63,897	44.9%	60,070	44.5%
Other Real Estate:						
Farmland	1,061	0.8%	1,501	1.1%	1,565	1.2%
Multifamily	13,289	9.4%	13,631	9.6%	9,496	7.0%
Nonfarm nonresidential	29,205	20.7%	30,541	21.5%	30,847	22.8%
Commercial and Industrial	14,914	10.6%	14,813	10.4%	12,177	9.0%
Loans to Individuals	8,589	6.1%	9,727	6.8%	11,153	8.3%
Agricultural Loans	427	0.3%	247	0.2%	219	0.2%
Total	140,750	100.0%	142,172	100.0%	135,086	100.0%

*This table does not include the entire portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

APPENDIX C

GLOSSARY OF TERMS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision 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. Census tracts 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: All Agencies have adopted the following language. Affordable housing (including multifamily rental 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or,
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - a. Rates of poverty, unemployment, and population loss; or,
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States 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 (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes 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.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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.

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 reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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.

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.

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

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include 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.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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 \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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.