

# **PUBLIC DISCLOSURE**

January 14, 2013

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Killbuck Savings Bank Company  
1017425

165 North Main St.  
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 .....	3
Description of Assessment Area .....	5
Conclusions with Respect to Performance Tests .....	14
Appendix A: Assessment Area Map .....	22
Appendix B: Lending Tables .....	23
Appendix C: Glossary of Terms .....	26

**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 are in the bank's assessment area;
- A reasonable geographic distribution of loans throughout the assessment area;
- A reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes given the demographics of the assessment area;
- No complaints received about the institution's performance in meeting assessment area credit needs; and,
- An adequate level of responsiveness to the community development needs of its assessment area through community development loans, investments, and services considering the institution's capacity and the need and availability of opportunities for community development in the assessment areas.

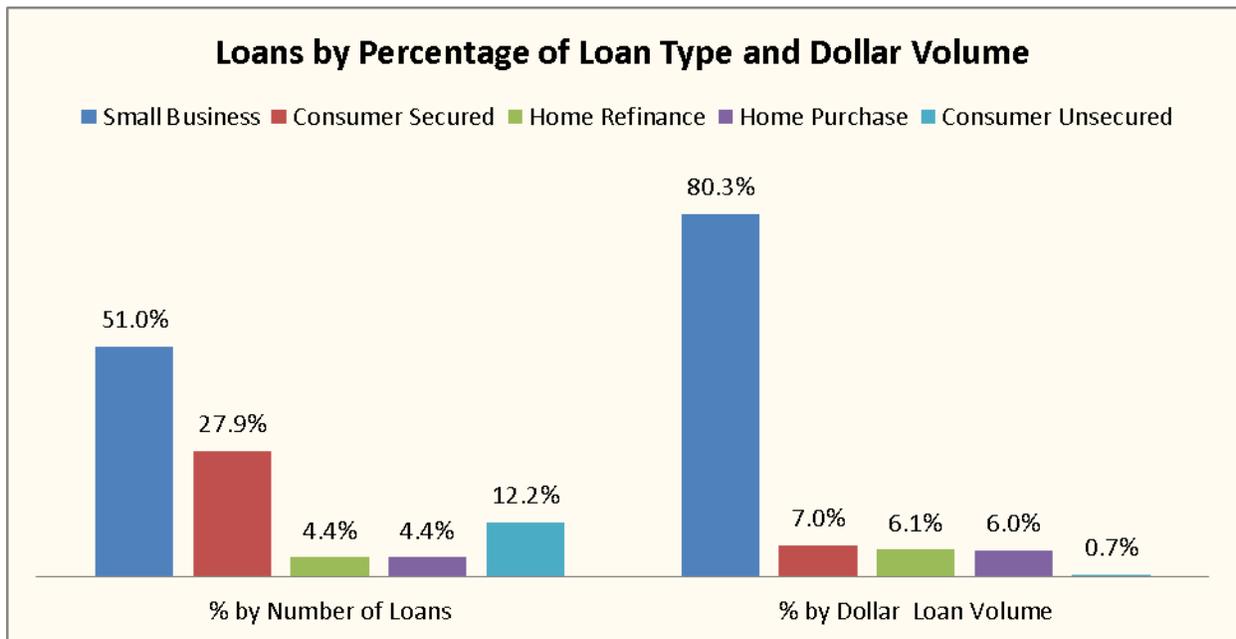
The previous CRA examination conducted October 18, 2010 resulted in a rating of "Satisfactory."

### SCOPE OF EXAMINATION

The Killbuck Saving Bank Company’s CRA performance was evaluated based on lending data from January 1, 2011 through December 31, 2011 and community development data from October 18, 2010 through January 14, 2013. Killbuck was evaluated using the interagency intermediate small bank examination procedures.

The loan products evaluated included small business, home purchase, home refinance, consumer secured and consumer unsecured loans. The following table and charts illustrate the volume and distribution of loans originated during the evaluation period:

Loan Type	Number of Loans	Dollar Amount of Loans (000’s)
Consumer Secured	456	10,173
Consumer Unsecured	200	910
Home Purchase	72	8,611
Home Refinance	72	8,759
Small Business	834	115,986
<b>Total Loans</b>	<b>1,634</b>	<b>144,439</b>



Given the above distribution, small business loans received the greatest weight, followed by consumer secured, home refinance, home purchase and consumer unsecured loans.

The borrower distribution analysis under the lending test received greater weight than the geographic distribution analysis because there are no low- or moderate-income census tracts, 28 middle income census tracts and one upper-income census tract in the assessment area.

### DESCRIPTION OF INSTITUTION

Killbuck Savings Bank Company (Killbuck) is headquartered in the community of Killbuck, Ohio. Killbuck is owned by Killbuck Bancshares, Inc., a non-complex holding company. Killbuck operates nine full service banking branches, each with automated teller machines (ATMs). There are six banking branches located within Holmes County (including the main office), two in Knox County, and one in Tuscarawas County. In addition, there is one loan production office located in the city of Millersburg and one cash-only ATM located in the city of Berlin in Holmes County. Killbuck is a full-service retail bank offering business and consumer deposit accounts and commercial, agricultural, residential mortgage, and consumer loans.

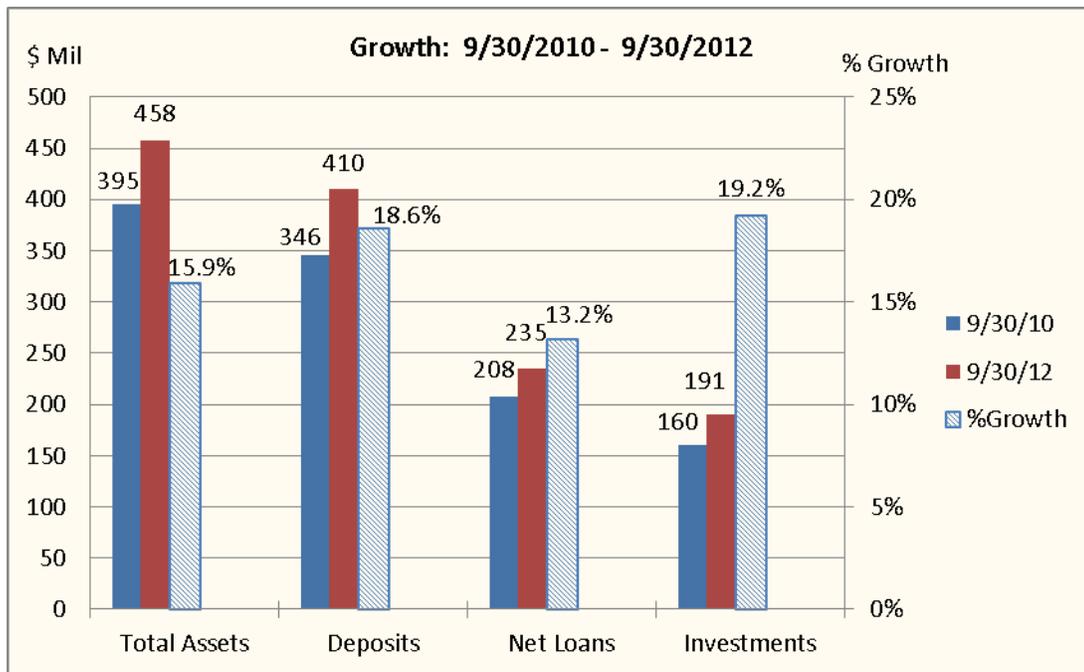
As of September 30, 2012, Killbuck had \$235 million in net loans, which is approximately a \$27 million increase from the previous examination of October 18, 2010. The following table displays the bank's loan portfolio composition as of September 30, 2012.

Loan Type (9/30/2012)	Percent of Total Loans
Commercial / Industrial & Non Farm Non-Residential Real Estate	42.1%
Loans for Agricultural Production & Secured by Farmland	6.5%
Construction & Land Development	4.9%
Secured by 1-4 Family Residential Real Estate	44.0%
Consumer Loans	2.4%
All Other Loans	0.1%
<b>Total (gross)</b>	<b>100.0%</b>

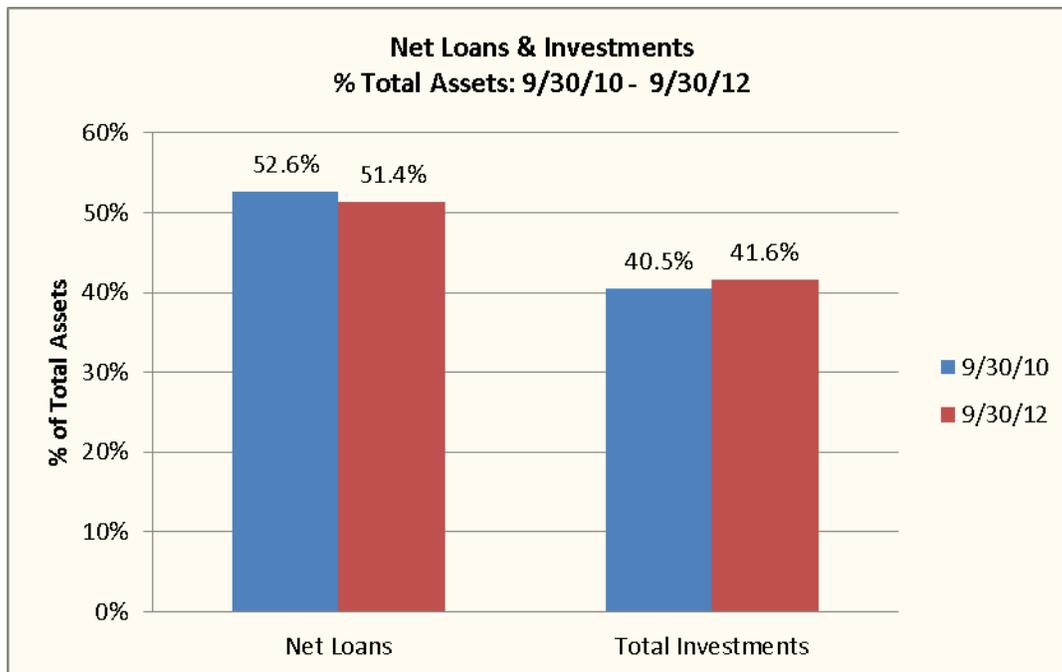
Killbuck's investment portfolio as of September 30, 2012 was \$191 million, which is a \$31 million increase since the prior examination. The following table displays the bank's investment portfolio composition as of September 30, 2012.

Investment Type (9/30/2012)	Percent of Total Investments
U.S. Treasuries and Agencies	57.9%
Municipal Securities	23.8%
Bank Balances	16.3%
Federal Funds Sold	2.0%
<b>Total (gross)</b>	<b>100.0%</b>

As of September 30, 2012, the following chart shows Killbuck reported \$458 million in total assets, which is approximately a 15.9% (\$63 million) increase since the prior examination. Deposits grew by 18.6% (\$63 million) while net loans increased by 13.2% (\$27 million) and the investment portfolio increased by 19.2% (\$31 million). The larger growth percentage for investments indicates that Killbuck's assessment area has experienced weakening loan demand, as a greater percentage of deposit growth was invested in the investment portfolio.



Additionally, as depicted by the following chart, loan growth as a percentage of total assets since the prior examination has declined slightly from 52.7% to 51.4% of total assets, whereas investments increased slightly from 40.5% to 41.6% of total assets.



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 ASSESSMENT AREA

Killbuck has delineated one assessment area for CRA purposes. The assessment area has not changed since the previous examination. The assessment area includes all six census tracts of Holmes County, eight census tracts in eastern Knox County, one census tract in southern Ashland County, seven census tracts in southern Wayne County, four census tracts in western Tuscarawas County, and three census tracts in northern Coshocton County. All counties are in the nonmetropolitan area in Ohio. A map of the assessment area is located in Appendix A.

The assessment area is comprised of 28 middle-income census tracts and one upper-income tract. There are no low- and moderate-income tracts within the bank’s assessment area.

Within Killbuck’s assessment area, twenty six financial institutions insured by the FDIC operate 124 branches. Based on the FDIC’s deposit market share report as of June 30, 2012, Killbuck ranked fourth with about 9.5% deposit market share.<sup>1</sup>

Financial Institution	In Market		
	# Offices	\$Dep (000)	%Mkt Sh
PNC Bank, National Association	15	621,916	14.37%
The Park National Bank	10	501,108	11.58%
The Commercial and Savings Bank of Millersburg, Ohio	14	429,328	9.92%
The Killbuck Savings Bank Company	9	410,009	9.47%
Firstmerit Bank, National Association	10	354,991	8.20%
The Huntington National Bank	6	313,589	7.24%
JPMorgan Chase Bank, National Association	8	310,046	7.16%
First National Bank	8	246,621	5.70%
First Federal Community Bank, National Association	5	202,039	4.67%
Wayne Savings Community Bank	5	201,509	4.65%

Killbuck’s assessment area exhibits strong competition from local community-based financial institutions and regional and large bank institutions. The top ten financial institutions account for 72.0% of the banking branches and hold 83.0% of the total deposit share within the assessment area. Of the top ten, six are community based financial institutions accounting for 41.0% of banking branches and holding 46.0% of deposit market share. Additionally, large and regional banking branches account for 31.0% of the banking branches and hold 37.0% of deposit market share.

### **Population**

The 2000 data released by the U.S. Bureau of the Census indicates the population in the assessment area is 135,254.

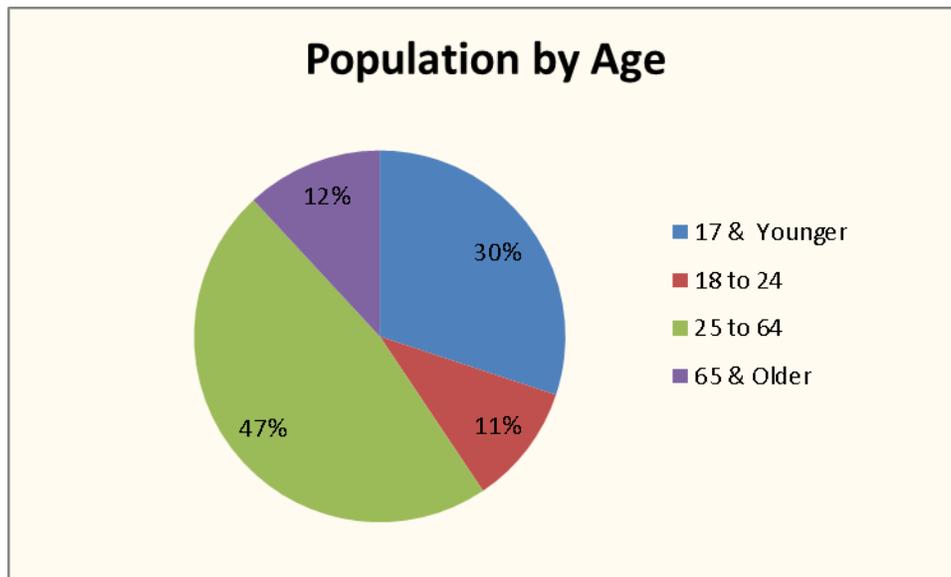
<sup>1</sup> <http://www2.fdic.gov/sod/sodMarketBank2.asp>

The following table shows the 2000 and estimated 2012 populations and population shifts within the various divisions of the assessment area.

County	2000 Population <sup>2</sup>	2012 Population <sup>3</sup>	% Population Change
Ashland	4,106	3,674	-10.5%
Coshocton	12,804	13,715	7.1%
Holmes	38,943	42,366	8.8%
Knox	40,796	45,554	11.7%
Tuscarawas	16,265	17,590	8.1%
Wayne	22,340	24,267	8.6%
<b>Total</b>	<b>135,254</b>	<b>147,166</b>	<b>8.8%</b>

The population growth estimates shows that modest populations gains are seen for segments of the assessment area except for the single census tract assessment area for Ashland County, which has experienced a population loss.

Based on 2000 Census Bureau data, the population by age is distributed as follows:



Approximately 30.0% of the population is under 18, the legal age to enter into a contract, while approximately 58.0% of the population is between the ages of 18 and 64, the prime ages when individuals are generally in need of loans.

<sup>2</sup><http://www.ffiec.gov/census/report.aspx?year=2011&county=005&state=39&report=demographic>

<sup>3</sup><http://www.ffiec.gov/census/report.aspx?year=2012&county=005&state=39&report=demographic>

Additionally, much of the assessment area coincides with the Amish community that is centered in Holmes County and extends into each of the surrounding five counties.<sup>4</sup> The population of Amish residents is approximately 40,000, making it one of the largest Amish communities in the world.<sup>5</sup> Amish beliefs and traditions espouse minimal reliance on modern mechanization, personal goods, and services. As such, lending to the Amish community is limited. Additionally, the Amish have a community-supported means of providing financial assistance to its citizens. The Amish Aid Fund is a source of funding to help Amish families respond to needs ranging from illness or other medical needs, losses from fire or farm losses, home or farm purchases, and business loans. Members of more than 100 Amish congregations participate in maintaining the fund through private donations and fundraisers.

### **Income Characteristics**

According to the 2000 Census, there were 45,069 households, of which 34,510 (76.6%) were designated as families. Of these families, 16.8% were low-income, 20.4% were moderate-income, 25.8% were middle-income, and 37.1% were upper-income. In the assessment area, 8.1% of the families were below the poverty level, just slightly higher than Ohio at 7.8%. Of the families living below the poverty level, 98.5% reside in middle-income census tracts and 1.5% reside in upper-income census tracts.

### **Labor, Employment and Economics**

The following table shows that 50% of the average combined land usage of the counties in the assessment area is agriculturally related to crop production and pasturelands.<sup>6</sup>

Land Usage							
County	Ashland	Coshocton	Holmes	Knox	Tuscarawas	Wayne	Average
Urban	2%	2%	1%	4%	5%	5%	3%
Cropland	48%	20%	29%	44%	20%	60%	37%
Pasture	11%	13%	18%	13%	10%	12%	13%
Forest	37%	65%	51%	39%	63%	23%	46%

Furthermore, many of the six counties of the assessment area are leading agricultural producers of certain crops and livestock in Ohio for 2011 and are ranked as following:<sup>7</sup>

4 <http://www.ohioamishcountry.com/>

5 <http://amishamerica.com/the-top-ten-amish-settlements/>

6 [http://development.ohio.gov/reports/reports\\_countytrends\\_map.htm](http://development.ohio.gov/reports/reports_countytrends_map.htm)

7 [http://www.nass.usda.gov/Statistics\\_by\\_State/Ohio/Publications/County\\_Estimates/Index.asp](http://www.nass.usda.gov/Statistics_by_State/Ohio/Publications/County_Estimates/Index.asp)

<b>Crops</b>						
County	Ashland	Coshocton	Holmes	Knox	Tuscarawas	Wayne
Corn	41	43	48	32	53	36
Hay	3	6	2	n/a	n/a	1
Oats	n/a	n/a	2	n/a	n/a	1
Wheat	31	56	54	42	53	26
Soybeans	45	57	60	n/a	62	41
<b>Livestock</b>						
Cattle & Calves	14	9	3	22	5	1
Milk Cows	13	19	3	22	4	1
Hogs & Pigs	34	20	48	36	41	9
Sheep	9	14	6	1	17	3

The table discloses that the counties making up the assessment area are leading producers of oats, hay, cattle, milk cows, and sheep.

With half of the land used for agricultural purposes and almost all the remaining land covered by forest, approximately 3.0% of the land is available for business uses and residential properties

According to 2010 Dun & Bradstreet data, there are 6,719 small business and small farms within the assessment area. The major business activities include administrative and support services (14.7%); construction (12.0%); agriculture and forestry (11.8%); retail trade (11.3%); other services, except public administration; (10.9%) and manufacturing (6.1%). The majority of businesses (89.5%) have revenues of less than \$1 million annually. Businesses that have been operating for 10 years and less account for 39.1% of business and businesses that have been in operation for 25 years and less account for 73.5% of all businesses in the assessment area.

The following table identifies major employers for each county in the assessment area:

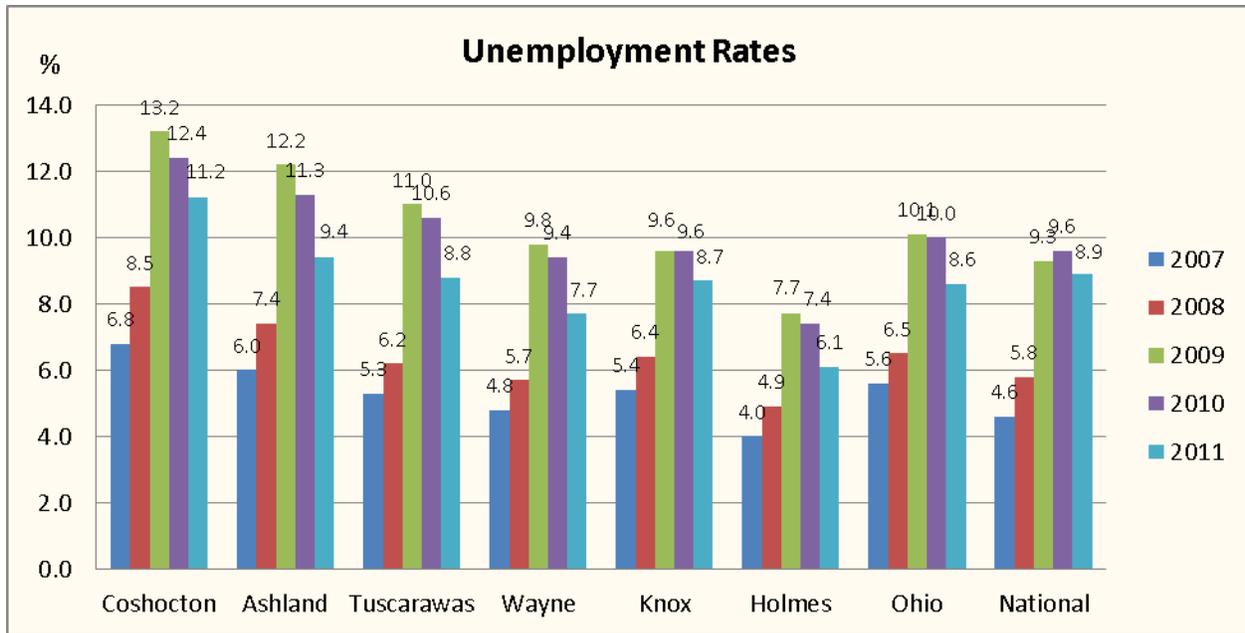
<b>Ashland County</b>		<b>Coshocton County</b>	
Ashland City Schools	Govt	AK Steel Holding Corp	Mfg
Ashland University	Serv	American Electric Power Co	Utility
Mansfield Plumbing Products LLC	Mfg	Coshocton City Schools	Govt
McGraw-Hill Companies	Trade	Coshocton County Government	Govt
Pentair Pump Group Inc	Mfg	Coshocton County Memorial Hospital	Serv
Samaritan Regional Health System	Serv	Kraft Foods Inc	Mfg
Snyder's-Lance Inc	Mfg	McWane Corp/Clow Water Systems	Mfg
State of Ohio	Govt	Riverview Local Schools	Govt
Step2 Co	Mfg	RockTenn CP, LLC	Mfg
Wil Research Laboratories LLC	R&D		

Holmes County		Knox County	
Case Foods Inc	Mfg	Ariel Ltd	Mfg
East Holmes Local Schools	Govt	FT Precision	Mfg
International Automotive	Mfg	JELD-WEN Inc	Mfg
Overhead Door/Wayne-Dalton	Mfg	Kenyon College	Serv
Pomerene Hospital	Serv	Knox Community Hospital	Serv
Rexam plc	Mfg	Kokosing Construction Co	Constr
Sperry & Rice Mfg Co LLC	Mfg	Mount Vernon Nazarene University	Serv
Weaver Leather Goods Inc	Mfg	Mt Vernon City Schools	Govt
West Holmes Local Schools	Govt	Rolls-Royce plc	Mfg
		Sanoh America Inc	Mfg
		State of Ohio	Govt

Tuscarawas County		Wayne County	
Alamo Group/Gradall Industries	Mfg	Buehler Food Markets Inc	Trade
Allied Machine & Engineering	Mfg	College of Wooster	Serv
Dover City Schools	Govt	Frito-Lay Inc	Mfg
New Philadelphia City Schools	Govt	JLK Industries	Mfg
RockTenn CP LLC	Mfg	JM Smucker Co	Mfg
Union Hospital	Serv	LuK Inc	Mfg
Wal-Mart Stores Inc	Trade	State of Ohio	Govt
Zimmer Orthopedic	Mfg	Will-Burt Co	Mfg
		Wooster Brush Co	Mfg
		Wooster City Schools	Govt
		Wooster Community Hospital	Serv
		Worthington Ind/Gerstenslager Co	Mfg

Job losses due to the economic recession (December, 2007 through June, 2009) were generally widespread across most business sectors within the assessment area.<sup>8</sup> The following table shows the unemployment rates for each county in the assessment area compared to Ohio and National unemployment rates from 2007 through 2011.

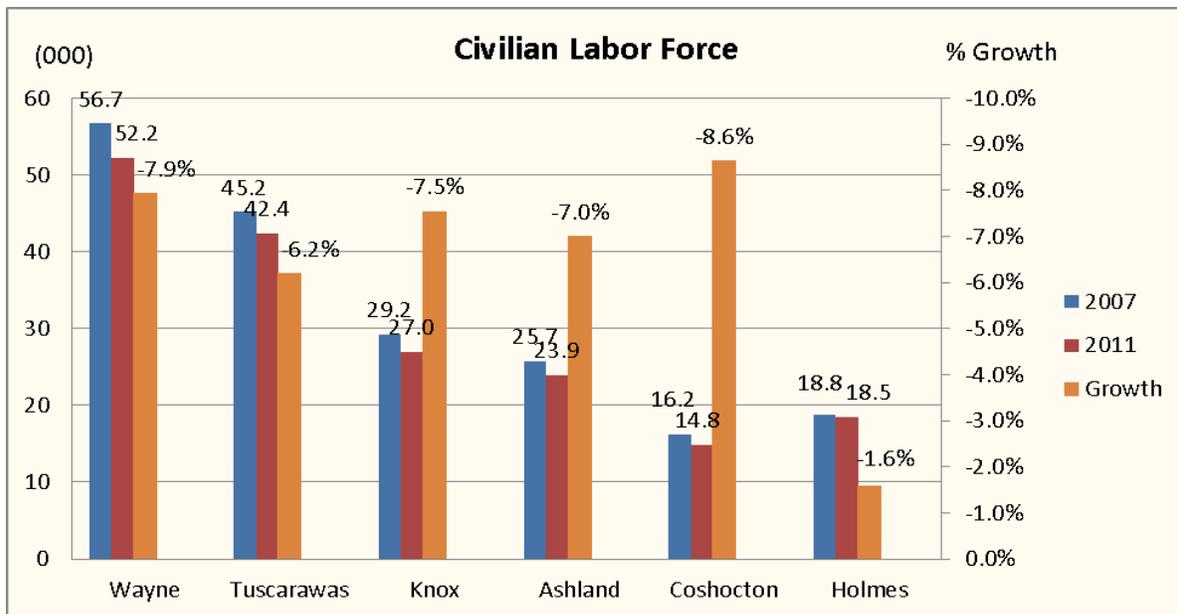
<sup>8</sup> <http://www.bls.gov/opub/mlr/2009/03/art1full.pdf>



Generally, unemployment rates peaked in 2009, with Coshocton County experiencing the highest unemployment rate and Holmes County with the lowest rate. For 2010 and 2011, only Holmes County has unemployment rates that are markedly less than the state and national averages. The other counties exhibit unemployment rates that are comparable to and greater than the state and national averages for 2010 and 2011.

Although unemployment rates have declined since the end of the recession in June 2009, the civilian labor force has contracted from the pre-recession levels of 2007. At the start of the recession in 2007, there were approximately 191,800 in the civilian labor force and as of 2011, the civilian labor force was approximately 178,800.<sup>9</sup> This represents a loss of about 13,000 from the civilian labor force. The following chart displays the percentage loss of the civilian labor force from 2007 to 2011 by each county in the assessment area.

<sup>9</sup> [http://development.ohio.gov/reports/reports\\_countytrends\\_map.htm](http://development.ohio.gov/reports/reports_countytrends_map.htm)



Coshocton County experienced the largest percentage loss (-8.6%) in the civilian labor force and Wayne County experienced the largest loss in the number of the civilian labor force (4,500). However, a community contact involved in promoting and supporting businesses in the assessment area made the observation that economic conditions appear to be stabilizing and there are signs in the local economy that manufacturers are starting to advertise for new job openings in response to increased business activity.

### Housing

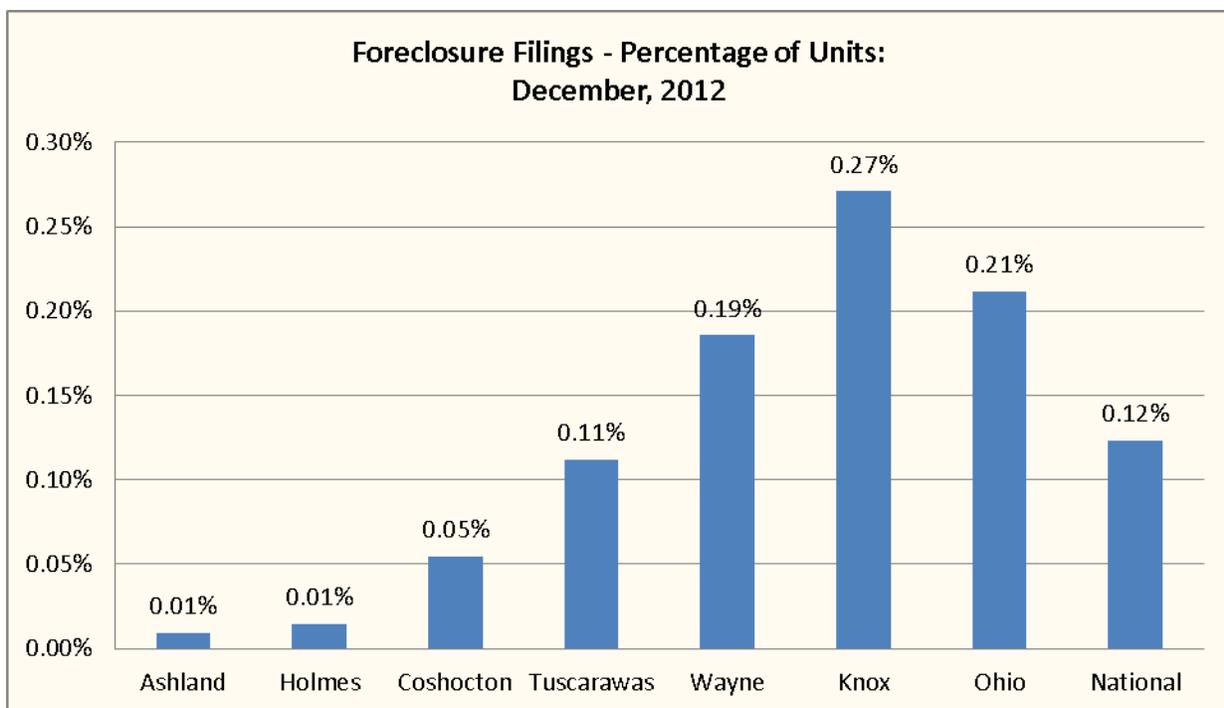
According to the 2000 U.S. Census Bureau data, the assessment area contained 49,021 housing units, of which 71.0% were owner-occupied, 21.0% were rentals, and 8.0% were vacant. The overall owner-occupancy rate of 70.0% is higher than the state owner-occupancy rate of 64.2%. One-to-four family units comprised 85.5% of the housing units, while mobile homes comprised 11.2% and multi-family units comprised 2.8%. Of the owner-occupied housing units, 97.0% are located in middle income census tracts and 3.0% are located in upper income census tracts.

The median age of the housing stock in the middle-income census tract was 33 years and the median age of the housing stock for the upper income census tracts was 29 years, with an overall median housing age of 33 years. As the housing stock ages, especially in the moderate-income census tract, the need and opportunity for home improvement lending will likely increase.

The median housing value was \$98,487 and the affordability ratio was 38.4. The affordability ratio is derived by dividing the median household income by the median housing value. A larger ratio indicates that housing is more affordable. The housing stock was slightly less affordable than the state affordability ratio of 40.8.

Further, based on the estimated 2011 median family income for nonmetropolitan Ohio (\$52,900), about 52.9% of the homes valued up to \$103,000 in the assessment area would be considered affordable for low-income individuals and approximately 79.7% of the homes valued up to \$165,000 would be considered affordable for moderate-income individuals. These percentages were calculated assuming a housing expense ratio equal to 28.0% of gross income for a 3.5% fixed-rate, 30-year loan.

According to RealtyTrac, an online real estate marketplace and data tracking company, there were 10,844 foreclosure filings for Ohio in December 2012.<sup>10</sup> This represents one foreclosure for every 473 housing units, ranking Ohio nationally with the fifth highest foreclosure rate of 0.21%. The smallest unit foreclosure data available is by county unit and the following chart depicts the foreclosure filing rates for the six counties making up the assessment in whole or in part.



The chart indicates that the foreclosure rate in Knox County exceeds the state average. This is consistent with information according to Policy Matters Ohio, ranking Knox County tenth in the state in foreclosures per 1,000 population in 2011.<sup>11</sup> The foreclosure rates for the remaining counties are less than the state average.

<sup>10</sup> [www.realtytrac.com](http://www.realtytrac.com)

<sup>11</sup> <http://www.policymattersohio.org/home-insecurity-april2012>

## Combined Demographics Report

### Assessment Area(s): Killbuck 2011

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	5,781	16.8
Moderate-income	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
<b>Total Assessment Area</b>	<b>29</b>	<b>100</b>	<b>34,510</b>	<b>100</b>	<b>2,799</b>	<b>8.1</b>	<b>34,510</b>	<b>100</b>

	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0	0	0	0	0	0	0
Moderate-income	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	
<b>Total Assessment Area</b>	<b>49,021</b>	<b>34,819</b>	<b>100</b>	<b>71</b>	<b>10,279</b>	<b>21</b>	<b>3,923</b>	<b>8</b>	

	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
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	5,759	97.2	5,137	96.9	390	99.7	232	99.1
Upper-income	167	2.8	164	3.1	1	0.3	2	0.9
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>5,926</b>	<b>100</b>	<b>5,301</b>	<b>100</b>	<b>391</b>	<b>100</b>	<b>234</b>	<b>100</b>
<b>Percentage of Total Businesses:</b>			<b>89.5</b>		<b>6.6</b>		<b>3.9</b>	

	Total Farms by Tract		Farms 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
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	760	95.8	758	95.8	1	100	1	100
Upper-income	33	4.2	33	4.2	0	0	0	0
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>793</b>	<b>100</b>	<b>791</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>
<b>Percentage of Total Farms:</b>			<b>99.7</b>		<b>0.1</b>		<b>0.1</b>	

Based on 2010 D&B information according to 2000 Census Boundaries.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Lending Test

The bank is rated “Satisfactory” under the lending test.

### Loan-to-Deposit Ratio

The following table illustrates Killbuck’s quarterly loan-to-deposit ratios and average for the 9 quarters since the previous evaluation, along with the loan-to-deposit ratios and averages for the peer group, two local peer institutions, and the custom peer group. The custom peer group represents the average of the loan-to-deposit ratios for the two local peer institutions.

<b>Loan-to-Deposit Ratios</b>					
As of Date	Killbuck	Peer Ratio <sup>12</sup>	First NB <sup>13</sup>	Commercial & Svg Bk <sup>14</sup>	Custom Peer
September 30, 2012	57.44	74.44	66.78	76.58	71.68
June 30, 2012	56.52	74.28	64.74	74.54	69.64
March 31, 2012	56.84	73.28	63.01	72.59	67.80
December 31, 2011	57.63	75.10	62.76	72.08	67.42
September 30, 2011	58.04	75.89	60.72	87.09	73.91
June 30, 2011	57.88	76.63	60.24	89.83	75.04
March 31, 2011	57.56	76.48	60.97	91.06	76.02
December 31, 2010	57.65	78.86	61.41	88.06	74.74
September 30, 2010	60.19	79.68	62.81	91.43	77.12
<b>Quarterly Loan-to-Deposit Ratio Average Since the Previous Evaluation</b>	<b>57.8</b>	<b>76.1</b>	<b>62.6</b>	<b>82.6</b>	<b>72.6</b>

Killbuck has averaged a 57.8% LTD ratio over the past nine quarters. Although the LTD ratio has slightly declined since the start of the evaluation period, a slight increase in the LTD ratio was noted for the last reporting period. Overall, Killbuck’s LTD ratio remained relatively consistent during the evaluation period. The slight decline over the reporting period occurred because deposits grew faster (18.6%) than loans (13.2%) during the evaluation period. The recent LTD ratio improvement seen in Killbuck’s LTD ratio was also noted for the competitor institutions and peer averages as depicted above.

<sup>12</sup> Killbuck’s national peer group consists of all insured commercial banks having assets between \$300 million and \$1 billion.

<sup>13</sup> First National Bank, Orrville, Ohio

<sup>14</sup> The Commercial and Savings Bank, Millersburg, Ohio

Killbuck’s average LTD ratio of 57.8% is markedly below the national peer group average LTD ratio of 76.1% and the custom peer group average LTD ratio of 72.6%. However, Killbuck’s LTD ratio trends historically have been lower than the national and custom peer groups. Although, Killbuck’s LTD ratio trends are below peer, it is not unique as exhibited by the competitor bank, FNB.

Although recent economic conditions appear to have stabilized since the economic recession, management related that loan demand continues to be less than robust for both consumers and businesses, as the investment portfolio growth continues to be greater than loan growth.

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

**Lending in the Assessment Area**

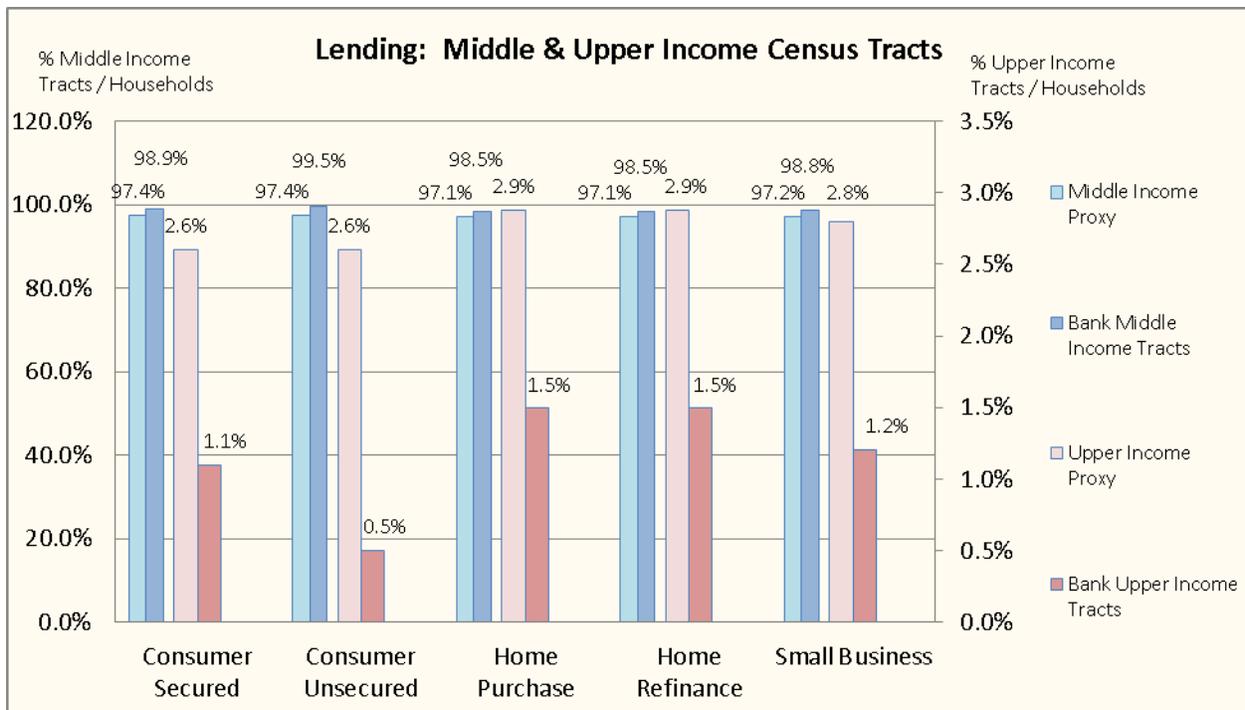
The table below depicts Killbuck’s volume of loans extended inside and outside of the bank’s assessment area during the evaluation period.

Loan Type	Inside				Outside				Total	
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	\$(000s)
Consumer Secured	436	95.6	9,667	95.0	20	4.4	506	5.0	456	10,173
Consumer Unsecured	194	97.0	876	96.2	6	3.0	34	3.8	200	910
<b>Total Consumer</b>	<b>630</b>	<b>96.0</b>	<b>10,543</b>	<b>95.1</b>	<b>26</b>	<b>4.0</b>	<b>540</b>	<b>4.9</b>	<b>656</b>	<b>11,084</b>
Home Purchase	65	90.3	7,668	89.0	7	9.7	943	11.0	72	8,611
Home Refinance	65	90.3	7,911	90.3	7	9.7	848	9.7	72	8,759
<b>Total Mortgage Loans</b>	<b>130</b>	<b>90.3</b>	<b>15,579</b>	<b>89.7</b>	<b>14</b>	<b>9.7</b>	<b>1,791</b>	<b>10.3</b>	<b>144</b>	<b>17,370</b>
<b>Total Small Business</b>	<b>771</b>	<b>92.4</b>	<b>105,929</b>	<b>91.3</b>	<b>63</b>	<b>7.6</b>	<b>10,057</b>	<b>8.7</b>	<b>834</b>	<b>115,986</b>
<b>TOTAL LOANS</b>	<b>1,531</b>	<b>93.7</b>	<b>132,051</b>	<b>91.4</b>	<b>103</b>	<b>6.3</b>	<b>12,388</b>	<b>8.6</b>	<b>1,634</b>	<b>144,440</b>

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

**Geographic Distribution of Lending**

The chart below shows that consumer secured, consumer unsecured, home purchase, home refinance and small business loan originations within the middle income census tracts exceeded the proxy percentages of households in middle-income census tracts for consumer loans, owner-occupied housing units for residential real estate lending, and small businesses located within the assessment area’s moderate-income census tracts.



Conversely, the percentage of loans originated within the single upper-income tract across all lending categories was somewhat lower than the upper-income tract proxies. This upper-income tract is located in Wayne County and a portion of the census tract lies within the boundaries of the Killbuck Marsh State Wildlife Area. Also, Killbuck does not have any banking branches in Wayne County.

Killbuck originated loans in 25 of the 28 middle-income census tracts (89.3%). Of the three census tracts with no loan originations, two census tracts are located in Wayne County. One tract has a population of 282 with 34 housing units and the tract is primarily comprised of the Ohio State University Agricultural Technical Institute’s farm. The other tract in Wayne County and the one tract in Ashland County are rural in nature and are located in the far northwest section of the assessment area, making these tracts some of the more remote tracks relative to the proximity of the nearest banking branch. In addition, Mohican Memorial State Forest and State Park comprise a sizeable portion of the Ashland County census tract and this census tract experienced a 10.5% population decline since the 2000 Census.

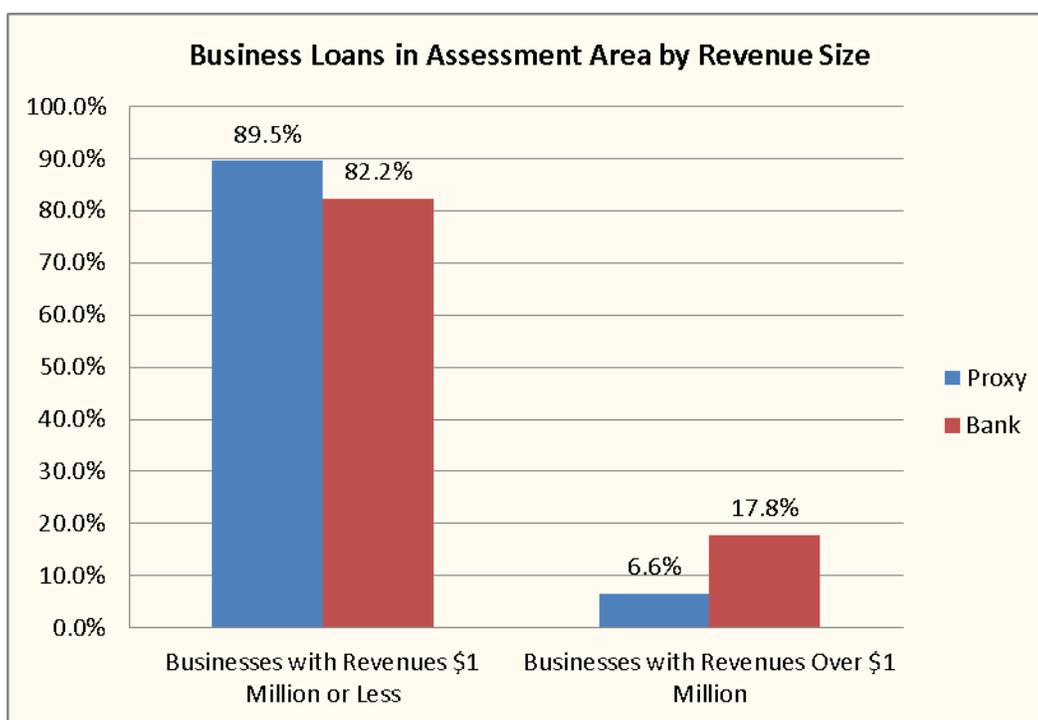
The geographic distribution of lending is reasonable considering that middle-income census tracts account for 97% (28 tracts) of the assessment area and the remaining 3.0% (one tract) is an upper-income census tract. There are no low- or moderate-income tracts in the assessment area. Refer to the tables in Appendix B for further information.

## **Borrower Distribution of Lending**

Killbuck’s lending performance reflects a reasonable distribution of lending to borrowers of different income levels and a reasonable distribution of lending to businesses of different revenue sizes (particularly to low- and moderate-income borrowers and small businesses). As previously discussed, borrower distribution was weighted more heavily than the geographic distribution.

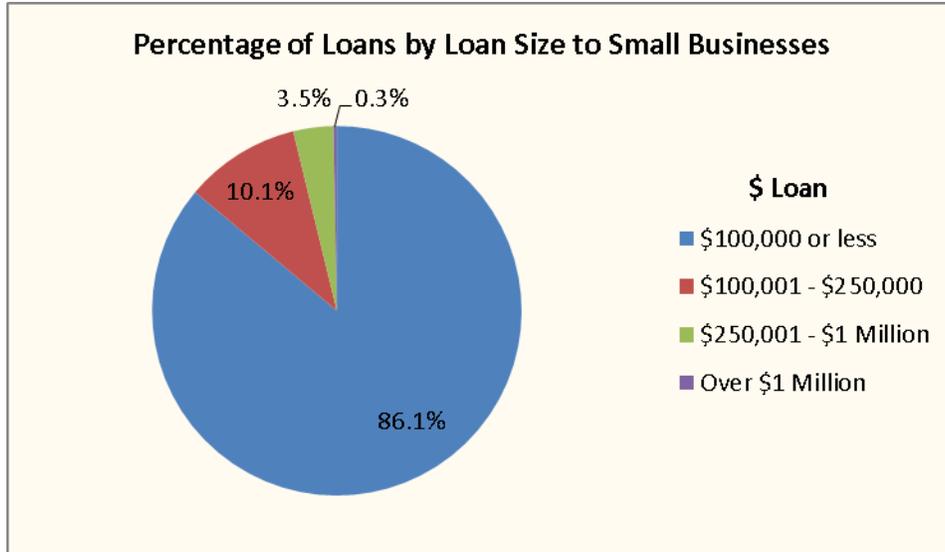
### ***Small Business Lending***

Killbuck’s distribution of lending to businesses of different revenue sizes reflects a good distribution of lending. The business demographic data for this assessment area reveals that there are 5,926 businesses, of which 89.5% are small businesses with annual revenues of \$1 million or less. During the evaluation period, Killbuck originated 634 loans to small businesses (82.2%) and 137 loans to businesses with revenues greater than \$1 million (17.8 %).



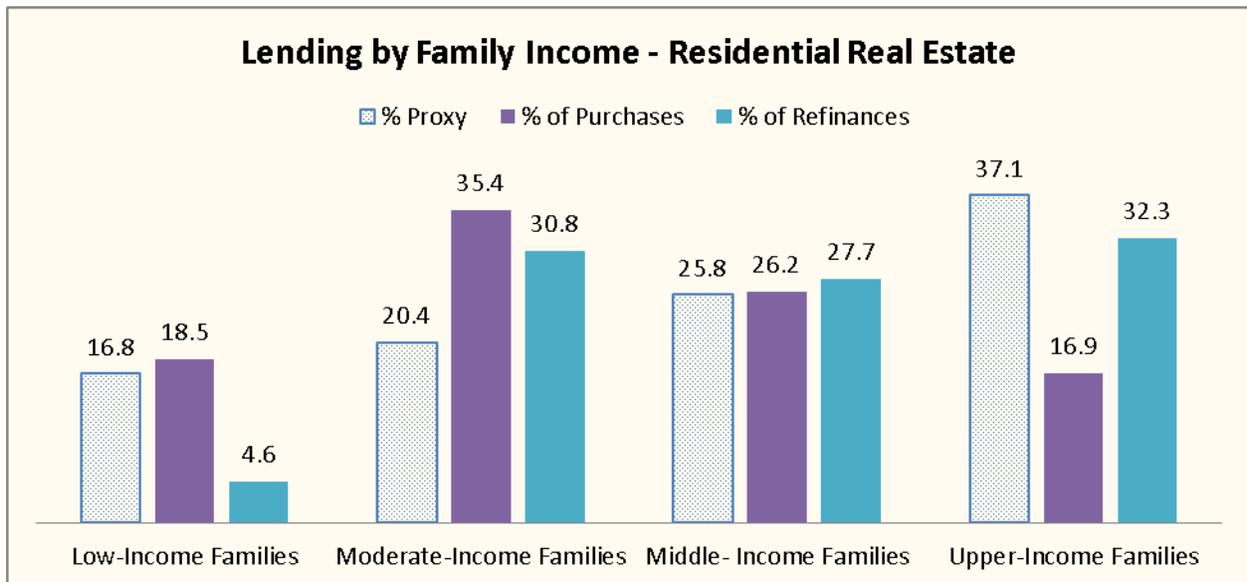
The chart shows that small business loans originated during the evaluation period were slightly less than the percentage of businesses with revenues of \$1 million or less. Notably, the percentage of loans to businesses with more than \$1 million in revenue exceeded the percentage of businesses with revenues exceeding \$1 million. Overall, lending to businesses is considered good.

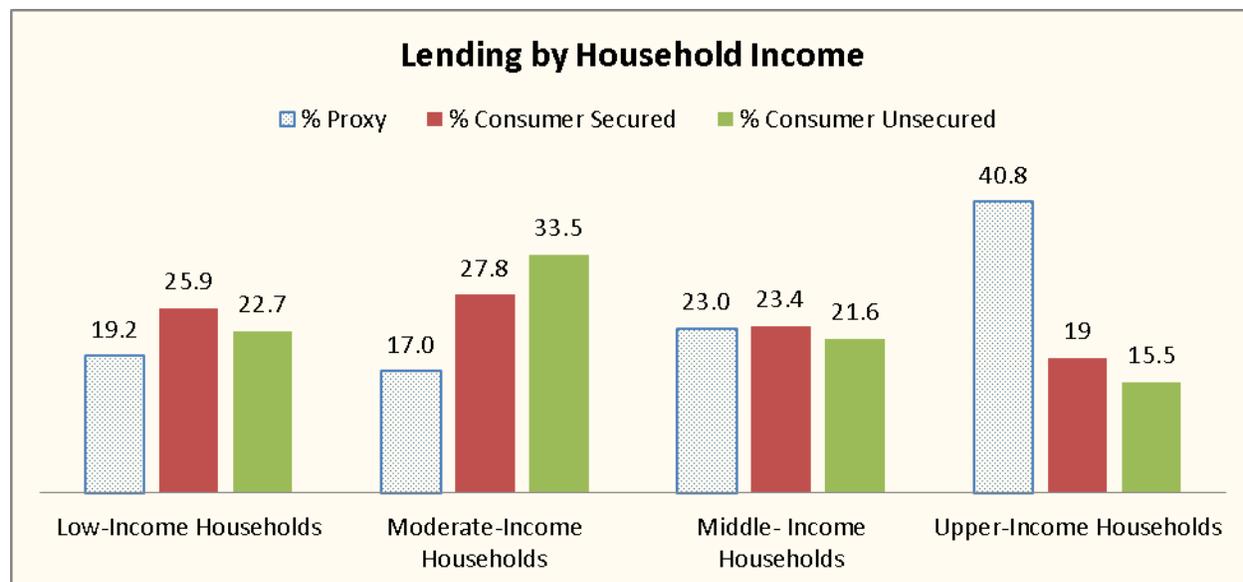
Of the 634 loans to small businesses, 546 loans (86.1%) were for amounts of \$100,000 or less. The following chart illustrates the distribution of small business loans by loan size, reflecting that the majority of the bank’s lending is for small dollar business loans.



Because smaller-size loans are commensurate with the borrowing needs of smaller businesses, Killbuck’s level of small business lending activity demonstrates that such credit needs are being met.

***Lending by Borrower Income***





The charts show that the consumer secured, consumer unsecured, and home purchase lending exceeded the proxy percentage of low-income households and families in the assessment area. However, the percentage of refinance loans to low-income families is substantially less than proxy. The demand for home refinance loans has weakened, as the low interest rate environment has been stable with little movement during the evaluation period and the percentage of low-income family owner occupied dwelling is less than for other income groups. Lending to low-income families is reasonable.

Lending to moderate-income households and families for consumer secured, consumer unsecured, home purchase, and refinance loans substantially exceeded the proxy percentage of moderate-income households and families in the assessment area. Lending to moderate-income households and families is excellent.

Lending to middle-income households for consumer secured and consumer unsecured lending was slightly less than the proxy percentage of middle-income households in the assessment area. However, lending to middle-income families for home purchases and refinances exceeded the middle-income proxy. Conversely, lending to upper-income households for consumer secured, consumer unsecured, and upper-income families for home purchases was substantially less than proxy, with home refinance lending somewhat less than proxy. Overall lending to middle- and upper-income families is adequate.

The analysis reflects a good distribution of loans to small businesses based on revenue and loan size. Mortgage lending to low-, moderate- and middle income families reflect an excellent distribution, and an adequate distribution to upper-income families. Consumer lending to low- and moderate income households is excellent, with an adequate distribution to middle-income households and less-than-reasonable distribution to upper-income households. Overall, the borrower distribution of lending is reasonable.

## **Response to Consumer Complaints**

No CRA-related complaints were filed against The Killbuck Savings Bank Company during this evaluation period.

## **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 in its assessment area.

### ***Community Development Loans***

Killbuck has demonstrated an adequate responsiveness to community development lending needs. The bank originated two community development loans totaling \$23,717 during this evaluation period. Most loans originated are considered under the lending test as small business, home purchase, home refinance, or consumer secured and unsecured loans. Given that the assessment area has no low- or moderate-income tracts and that the majority of individuals are middle- or upper-income, opportunities for making loans that qualify as community development are limited.

### ***Qualified Investments***

Killbuck has demonstrated an adequate responsiveness to community development investment needs. Qualified investments were primarily donations to community development organizations and opportunities for local bond investments are limited. The bank made 46 qualified donations during this evaluation period within its assessment area totaling \$58,318.

In addition, Killbuck has an investment for community development purposes that benefit areas outside of its assessment area. This investment, totaling \$137,450, supported affordable housing targeted to low- and moderate-income individuals in the Cincinnati area.

### ***Community Development Services***

Killbuck has demonstrated an adequate responsiveness to community development service needs.

All of Killbuck’s branches, its loan production office, and ATMs are located in middle-income tracts. There are no low- and moderate-income geographies within the bank’s assessment area. Services are also available through online and telephone banking.

The bank’s employees provide their financial expertise to local organizations that provide community development services to the community through board and committee memberships. Financial expertise is also provided through financial education programs at local schools, including:

- How To Do Your Banking
- National Teach Children to Save Month
- Reality Store Day

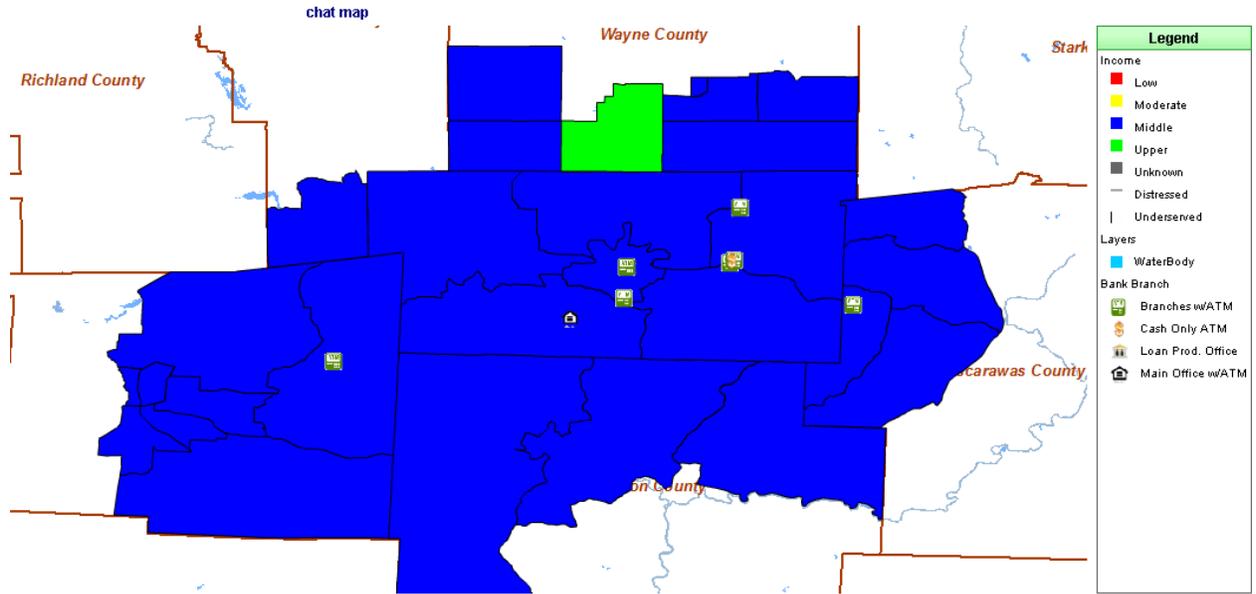
Additionally, Killbuck provided financial expertise to keep the Killbuck library branch open and operating after this library branch was targeted to be closed. The library branch served Killbuck, which is designated as a pocket of low-to moderate income households.

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

No evidence of discriminatory or other illegal credit practices was noted during this evaluation.

### APPENDIX A

### ASSESSMENT AREA MAP



**APPENDIX B  
LENDING TABLES**

**Consumer Loan Distribution Table**

	CONSUMER LOANS							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Other - Secured</b>							
Low	0	0.0%	0	0.0%	113	25.9%	901	9.3%
Moderate	0	0.0%	0	0.0%	121	27.8%	1,835	19.0%
Low/Moderate Total	0	0.0%	0	0.0%	234	53.7%	2,736	28.3%
Middle	431	98.9%	9,548	98.8%	102	23.4%	2,265	23.4%
Upper	5	1.1%	119	1.2%	83	19.0%	4,314	44.6%
Unknown	0	0.0%	0	0.0%	17	3.9%	352	3.6%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	436	100.0%	9,667	100.0%	436	100.0%	9,667	100.0%
	<b>Other - Unsecured</b>							
Low	0	0.0%	0	0.0%	44	22.7%	135	15.4%
Moderate	0	0.0%	0	0.0%	65	33.5%	319	36.4%
Low/Moderate Total	0	0.0%	0	0.0%	109	56.2%	454	51.8%
Middle	193	99.5%	871	99.4%	42	21.6%	155	17.7%
Upper	1	0.5%	5	0.6%	30	15.5%	242	27.7%
Unknown	0	0.0%	0	0.0%	13	6.7%	25	2.8%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	194	100.0%	876	100.0%	194	100.0%	876	100.0%
	<b>Consumer Loan Totals</b>							
Low	0	0.0%	0	0.0%	157	24.9%	1,036	9.8%
Moderate	0	0.0%	0	0.0%	186	29.5%	2,154	20.4%
Low/Moderate Total	0	0.0%	0	0.0%	343	54.4%	3,190	30.3%
Middle	624	99.0%	10,420	98.8%	144	22.9%	2,420	23.0%
Upper	6	1.0%	124	1.2%	113	17.9%	4,556	43.2%
Unknown	0	0.0%	0	0.0%	30	4.8%	377	3.6%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	630	100.0%	10,543	100.0%	630	100.0%	10,543	100.0%

### Home Purchase and Home Refinance Distribution Table

Exam: Killbuck Savings Bank Co.

Assessment Area/Group : Killbuck 2011

Income Categories	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>Home Purchase</b>								
Low	0	0.0%	0	0.0%	12	18.5%	988	12.9%
Moderate	0	0.0%	0	0.0%	23	35.4%	2,737	35.7%
Low/Moderate Total	0	0.0%	0	0.0%	35	53.8%	3,725	48.6%
Middle	64	98.5%	7,524	98.1%	17	26.2%	1,878	24.5%
Upper	1	1.5%	144	1.9%	11	16.9%	1,700	22.2%
Unknown	0	0.0%	0	0.0%	2	3.1%	365	4.8%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	65	100.0%	7,668	100.0%	65	100.0%	7,668	100.0%
<b>Refinance</b>								
Low	0	0.0%	0	0.0%	3	4.6%	248	3.1%
Moderate	0	0.0%	0	0.0%	20	30.8%	2,261	28.6%
Low/Moderate Total	0	0.0%	0	0.0%	23	35.4%	2,509	31.7%
Middle	64	98.5%	7,753	98.0%	18	27.7%	2,244	28.4%
Upper	1	1.5%	158	2.0%	21	32.3%	2,900	36.7%
Unknown	0	0.0%	0	0.0%	3	4.6%	260	3.3%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	65	100.0%	7,911	100.0%	65	100.0%	7,911	100.0%
<b>Home Improvement</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Low/Moderate Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Multi-Family</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Low/Moderate Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Totals</b>								
Low	0	0.0%	0	0.0%	15	11.5%	1,236	7.9%
Moderate	0	0.0%	0	0.0%	43	33.1%	4,998	32.1%
Low/Moderate Total	0	0.0%	0	0.0%	58	44.6%	6,234	40.0%
Middle	128	98.5%	15,277	98.1%	35	26.9%	4,121	26.5%
Upper	2	1.5%	302	1.9%	32	24.6%	4,600	29.5%
Unknown	0	0.0%	0	0.0%	5	3.8%	625	4.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	130	100.0%	15,579	100.0%	130	100.0%	15,579	100.0%

\*Information based on 2000 Census data

### Small Business Loan Distribution Table

Exam: Killbuck Savings Bank Co.

Assessment Area/Group: Killbuck 2011

Income Categories	SMALL BUSINESS				SMALL FARM				SMALL BUS. SECURED BY REAL ESTATE			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>By Tract Income</b>											
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Low/Moderate Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	762	98.8%	104,759	98.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Upper	9	1.2%	1,170	1.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	771	100.0%	105,929	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	<b>By Revenue</b>											
Total \$1 Million or Less	634	82.2%	42,008	39.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Over \$1 Million	137	17.8%	63,921	60.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	771	100.0%	105,929	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	<b>By Loan Size</b>											
\$100,000 or less	599	77.7%	21,180	20.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$100,001 - \$250,000	101	13.1%	17,399	16.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	60	7.8%	29,035	27.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	11	1.4%	38,315	36.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	771	100.0%	105,929	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	<b>By Loan Size and Revenue \$1 Million or Less</b>											
\$100,000 or less	546	86.1%	18,101	43.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$100,001 - \$250,000	64	10.1%	10,551	25.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	22	3.5%	9,252	22.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	2	0.3%	4,105	9.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	634	100.0%	42,008	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

\*Information based on 2000 Census data

## 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.