



## **PUBLIC DISCLOSURE**

August 26, 2013

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

The Covington S & LA  
Charter Number 700827

117 N High St  
Covington, OH 45318-1307

Office of the Comptroller of the Currency

West Lake Center  
4555 Lake Forest Drive, Suite 610  
Blue Ash, OH 45242-3760

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

The Lending Test is rated: Satisfactory

- The thrift's loan-to-deposit (LTD) ratio is reasonable and compares adequately with similarly situated banks in the thrift's assessment areas (AA).
- A substantial majority of this thrift's lending activity occurs within its AA.
- Lending to borrowers of different income levels reflects reasonable distribution in its AA.
- Overall, the thrift's performance in lending to geographies of different income levels exhibits reasonable dispersion in the moderate-income census tracts (CT) of the AA.

## **SCOPE OF EVALUATION**

Our office conducted a Community Reinvestment Act (CRA) evaluation at The Covington Savings & Loan Association (hereafter, Covington or thrift) to assess the thrift's record of meeting the credit needs of its community. We used the small bank CRA evaluation procedures to perform the evaluation. The evaluation period was from July 1, 2007 through June 30, 2013. For analysis of the Lending Test, we considered loans originated and purchased from January 1, 2011 through June 30, 2013.

Our review of the thrift's loan originations during the lending evaluation period found Covington's primary loan product to be residential real estate loans. As of June 30, 2013, the 1-4 family residential loans were \$24.2 million or 82.5 percent of total loans. The thrift originated only a small number for each of its other loan products (i.e. commercial, farm, auto, unsecured consumer, and stock loans). We reviewed home purchase, home improvement and refinance loans reported under the Home Mortgage Disclosure Act (HMDA).

Covington has designated two AAs, as detailed under the **Description of Assessment Area(s)** section. To perform our lending analyses, we used information from the thrift's HMDA loan application register (LAR) for 2011, 2012, and year-to-date June 30, 2013. The thrift did not originate enough commercial loan volume or farm loan volume to consider either as a primary loan product. To conduct the borrower distribution and geographic analysis, we removed any loans that were outside the AAs. We used the 2000 U.S. Census data for loans originated in 2011 and the 2010 U.S. Census data for loans originated in 2012 and 2013.

## **DESCRIPTION OF INSTITUTION**

Covington is a mutual thrift incorporated in 1886 to serve the town of Covington, OH and the surrounding farms as a savings depository and a loan facility. As of June 30, 2013, the thrift had total assets of \$64 million, Tier 1 capital of \$7.1 million and total loans of \$29.3 million.

The thrift maintains three depository offices, which includes the main office and a branch in Covington, OH plus another branch in Bradford, OH. Both the main office and the branch in

Bradford have ATMs in the lobbies. Additionally, the thrift has one freestanding ATM inside a gas station in Pleasant Hill. The Covington offices are located in the Dayton-Springfield, Ohio metropolitan statistical area (MSA) in northwest Miami County. The town of Bradford is located in both Miami and Darke Counties. The branch is in the Darke county portion of Bradford. All three offices are in middle-income CTs and located in primarily rural parts of the assessment areas. Covington serves its community with traditional deposit accounts and 1-4 family real estate loans. It does offer a website that allows basic on-line services and offers domestic wire transfer services.

Currently, no legal or financial impediments exist that could restrict the thrift's ability to serve the community's credit needs. Covington received a **Satisfactory** CRA rating at the previous CRA evaluation as of September 24, 2007.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Covington has two AAs. The first (an MSA AA) consists of all CTs in Miami County, which is part of the Dayton-Springfield, Ohio MSA (Dayton MSA). The second AA (a non-MSA) consists of all CTs located in Darke County as well as the four southernmost CTs of Shelby County. This partial county is reasonable given the thrift's small size and the fact that there are no branches located in Shelby County. The AAs are contiguous, meet the requirements of the regulation, and do not arbitrarily exclude any low- or moderate-income areas.

According to the June 30, 2013 Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report for Miami County, the thrift's market share was 4.3 percent (seventh of thirteen financial institutions accepting deposits). Covington did not appear in the FDIC Deposit Market Share Report for the non-MSA areas of Darke and Shelby counties (combined) because its Bradford branch is located on the line between Miami and Darke counties, and the FDIC counts that branch as being in Miami County.

The largest industries in Miami, Darke, and Shelby counties are manufacturing, the local school districts, and farming. The city of Covington lost one of its largest manufacturers in 2012, Remidi Health Care, as it moved to a larger facility in the nearby city of Troy in order to hire more employees. However, none of the workers living in the Covington area lost their jobs because of this move, as Troy is less than ten miles from Covington and the employees could commute to the new location. Covington's remaining large employers are the city school system at about 100 employees and Nu-Tek, a plastic manufacturing plant that employs approximately 50-60 people. Many of the counties' residents work in the surrounding area cities including Dayton, Troy, and Tipp City.

Farming is also a major form of area employment; however, the farmers surrounding Covington are primarily a subset of individuals who do not typically borrow money, but conversely have substantial bank deposits. This keeps the need for farm loans at a minimum and affected the thrift's loan to deposit ratio adversely (see discussion under **Loan-to-Deposit Ratio** performance criteria).

**Dayton MSA AA:**

***Information as of the 2000 U.S. Census Data***

As of the 2000 U.S. Census, the MSA AA had 3 moderate-income, 14 middle-income, and 3 upper-income CTs with a total population of 98,868. Sixty-nine percent of the housing units in the AA are owner-occupied, with 13 percent in moderate-income geographies, 68 percent in middle-income geographies, and 19 percent in upper-income geographies. Seven percent of the households in the AA live below the poverty level, 26 percent receive social security benefits, and two percent receive public assistance. The median housing value for the Dayton MSA is \$113,544.

According to the 2000 U.S. Census data, the Dayton MSA median family income is \$52,500. The Department of Housing and Urban Development (HUD) estimates the updated Dayton MSA median family income is \$62,400 for 2011. Approximately 17 percent of the families in the AA are low-income and 20 percent are moderate-income. Covington has two offices (including the main office) in this AA.

***Information as of the 2010 U.S. Census Data***

As of the 2010 U.S. Census, the MSA AA had four moderate-income, 14 middle-income, and 3 upper-income CTs with a total population of 102,506. Sixty-seven percent of the housing units in the AA are owner-occupied, with 13 percent in moderate-income geographies, 66 percent in middle-income geographies, and 21 percent in upper-income geographies. Nine percent of the households in the AA live below the poverty level, 30 percent receive social security benefits, and two percent receive public assistance. The median housing value for the AA is \$138,929.

According to the 2010 U.S. Census data, the Dayton MSA median family income is \$59,770. HUD estimates the updated Dayton MSA median family income is \$63,300 for 2012. Approximately 18 percent of the families in the AA are low-income and 19 percent are moderate-income. Miami County unemployment equaled 7.2 percent in June 2013.

**Darke County Non-MSA AA:**

***Information as of the 2000 U.S. Census Data***

As of the 2000 U.S. Census, the Non-MSA AA had one moderate-income, 12 middle-income, and 3 upper-income CTs with a total population of 72,972. Seventy-one percent of the housing units in the AA are owner-occupied, with 5 percent in moderate-income geographies, 73 percent in middle-income geographies, and 22 percent in upper-income geographies. Eight percent of the households in the AA live below the poverty level, 29 percent receive social security benefits, and two percent receive public assistance. The median housing value for the AA is \$92,995.

According to the 2000 U.S. Census data, the Ohio updated median family income is \$52,900. Approximately 15 percent of the families in the AA are low-income and 18 percent are moderate-income. The thrift has one office located in this AA.

**Information as of the 2010 U.S. Census Data**

As of the 2010 U.S. Census, the MSA AA had one moderate-income, 13 middle-income, and 2 upper-income CTs with a total population of 72,563. Seventy percent of the housing units in the AA are owner-occupied, with 4 percent in moderate-income geographies, 81 percent in middle-income geographies, and 14 percent in upper-income geographies. Eleven percent of the households in the AA live below the poverty level, 33 percent receive social security benefits, and two percent receive public assistance. The median housing value for the AA is \$117,507.

According to the 2010 U.S. Census data, the Ohio updated median family income is \$53,000. Approximately 17 percent of the families in the AA are low-income and 19 percent are moderate-income. Darke County and Shelby County unemployment rates equaled 6.4 percent and 6.3 percent, respectively, in June 2013.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Based on the criteria for the CRA lending test, the thrift’s lending performance is satisfactory.

**Loan-to-Deposit Ratio**

- The thrift’s loan-to-deposit (LTD) ratio is reasonable.

We reviewed the thrift’s LTD for the 25 quarters since the last evaluation and compared it to eight similarly situated institutions competing within its AA. We found that Covington’s 25 quarter LTD averaged 63.24 percent, which is lower than the range for the other eight institutions (68.60 percent to 127.61 percent) but is still reasonable. As noted above, the thrift’s branches are located in a community of farmers who have a belief system that does not adhere to borrowing money, but they do deposit their money in the bank. These farmers deposited a significant amount of money during the last half of 2012 and early 2013 (from record earnings from high grain prices) and this caused a drop in this thrift’s LTD from nearly 60 percent at the end of 2011 to 51.66 percent at June 30, 2013.

**Lending in Assessment Area**

- A substantial majority of Covington’s lending activity occurs within its AA.

The HMDA lending activity shows that the thrift made nearly all of their home loans within the AAs. Specifically, Covington made 98.7 percent of its loans (by dollar) within the AA between January 1, 2011 and June 30, 2013.

| Loan Type                     | Number of Loans |      |         |     | Total | Dollars of Loans (000’s omitted) |      |         |     |         |
|-------------------------------|-----------------|------|---------|-----|-------|----------------------------------|------|---------|-----|---------|
|                               | Inside          |      | Outside |     |       | Inside                           |      | Outside |     | Total   |
|                               | #               | %    | #       | %   |       | \$                               | %    | \$      | %   |         |
| <b>Residential 1-4 Family</b> | 59              | 96.7 | 2       | 3.3 | 61    | \$5,323                          | 98.7 | \$68    | 1.3 | \$5,391 |

Source: 2011 – June 30, 2013 HMDA LAR

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

- The thrift’s lending to residential real estate borrowers reflects reasonable penetration to low- and moderate-income borrowers. Performance in the MSA AA (thrift’s primary AA) significantly exceeds the key demographic comparators and is excellent. Performance in the non-MSA AA is poor, but carries less weight than performance in the MSA AA.

| <b>2011 Borrower Distribution of Residential RE Loans in Dayton MSA</b> |                      |                  |           |                          |                  |           |                     |
|---|----------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------|
| Borrower Income Level   | % Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Families in AA |
|   | Purchase             | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                     |
| Low   | 36.3                 | 0.0              | 0.0       | 15.6                     | 13.3             | 8.4       | 17.0                |
| Moderate  | 18.2                 | 60.0             | 20.0      | 24.1                     | 24.5             | 19.6      | 19.8                |
| Middle  | 18.2                 | 20.0             | 30.0      | 26.4                     | 21.4             | 25.9      | 25.0                |
| Upper   | 27.3                 | 20.0             | 50.0      | 33.9                     | 40.8             | 46.1      | 38.2                |

Source: 2000 U.S. Census data and 2011 HMDA LAR. Made 26 loans in this AA during 2011.

| <b>2012 - 2013 Borrower Distribution of Residential RE Loans in Dayton MSA</b> |                     |                  |           |                          |                  |           |                     |
|--|---------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------|
| Borrower Income Level  | %Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Families in AA |
|  | Purchase            | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                     |
| Low  | 18.2                | 11.1             | 33.3      | 16.0                     | 14.1             | 8.5       | 17.7                |
| Moderate   | 45.4                | 22.2             | 33.3      | 24.6                     | 18.5             | 17.9      | 18.7                |
| Middle   | 36.4                | 44.5             | 33.3      | 24.6                     | 24.4             | 25.3      | 23.1                |
| Upper  | 0.0                 | 22.2             | 0.0       | 34.8                     | 43.0             | 48.3      | 40.5                |

Source: 2010 U.S. Census data and 2012 and 2013 HMDA LAR. Made 24 loans in this AA during 2012-2013

| <b>2011 Borrower Distribution of Residential RE Loans in Non MSA</b> |                      |                  |           |                          |                  |           |                     |
|--|----------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------|
| Borrower Income Level  | % Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Families in AA |
|  | Purchase             | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                     |
| Low  | 0.0                  | 0.0              | 0.0       | 16.3                     | 3.8              | 8.7       | 15.0                |
| Moderate   | 0.0                  | 0.0              | 0.0       | 29.3                     | 30.4             | 23.1      | 17.7                |
| Middle   | 0.0                  | 100.0            | 0.0       | 24.9                     | 26.6             | 22.3      | 25.1                |
| Upper  | 100.0                | 0.0              | 100.0     | 29.5                     | 39.2             | 45.9      | 42.2                |

Source: 2000 U.S. Census data and 2011 HMDA LAR. Made 4 loans in AA during 2011.

| <b>2012 - 2013 Borrower Distribution of Residential RE Loans in Non MSA</b> |                     |                  |           |                          |                  |           |                     |
|---|---------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------|
|   | %Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Families in AA |
| Borrower Income Level   | Purchase            | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                     |
| Low   | 0.0                 | 0.0              | 50.0      | 14.0                     | 9.2              | 6.8       | 16.8                |
| Moderate  | 0.0                 | 0.0              | 0.0       | 33.0                     | 26.5             | 17.4      | 18.7                |
| Middle  | 0.0                 | 100.0            | 50.0      | 22.9                     | 20.4             | 28.2      | 23.0                |
| Upper   | 100.0               | 0.0              | 0.0       | 30.1                     | 43.9             | 47.7      | 41.5                |

Source: 2010 U.S. Census data and 2012 and 2013 HMDA LAR. Made 5 loans in this AA during 2012 - 2013.

**Geographic Distribution of Loans**

- Covington’s geographic distribution of loans reflects reasonable penetration in the moderate-income level CTs of the MSA AA. While performance for 2011 is significantly below demographic comparators and represents poor performance, performance for 2012-2013, specifically for refinances, significantly exceeds demographic comparators and is excellent.
- The thrift’s performance in its non-MSA AA is given no consideration due to its limited loan volume and the lack of low- or moderate-income tracts (1 moderate-income tract) for both the 2000 and 2010 census data.

| <b>2011 Geographic Distribution of Residential RE Loans in Dayton MSA</b> |                      |                  |           |                          |                  |           |                                 |
|---|----------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------------------|
|   | % Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Owner Occupied Units in AA |
| Borrower Income Level   | Purchase             | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                                 |
| Low   | 0.0                  | 0.0              | 0.0       | 0.0                      | 0.0              | 0.0       | 0.0                             |
| Moderate  | 0.0                  | 0.0              | 0.0       | 11.1                     | 14.7             | 7.7       | 13.5                            |
| Middle  | 90.9                 | 100.0            | 100.0     | 69.1                     | 70.6             | 65.6      | 67.7                            |
| Upper   | 9.1                  | 0.0              | 0.0       | 19.8                     | 14.7             | 26.7      | 18.8                            |

Source: 2000 U.S. Census data and 2011 HMDA LAR. Made 26 loans in this AA during 2011

| <b>2012 - 2013 Geographic Distribution of Residential RE Loans in Dayton MSA</b> |                     |                  |           |                          |                  |           |                                 |
|--|---------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------------------|
|  | %Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Owner Occupied Units in AA |
| Borrower Income Level  | Purchase            | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                                 |
| Low  | 0.0                 | 0.0              | 0.0       | 0.0                      | 0.0              | 0.0       | 0.0                             |
| Moderate   | 8.3                 | 11.1             | 67.7      | 10.8                     | 11.8             | 8.2       | 13.3                            |
| Middle   | 91.7                | 88.9             | 33.3      | 59.5                     | 68.1             | 59.6      | 66.1                            |
| Upper  | 0.0                 | 0.0              | 0.0       | 29.7                     | 20.1             | 32.1      | 20.6                            |

Source: 2010 U.S. Census data and 2012 and 2013 HMDA LAR. Made 24 loans in this AA during 2012-2013

| 2011 Geographic Distribution of Residential RE Loans in Non MSA |                      |                  |           |                          |                  |           |                                 |
|---|----------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------------------|
| Borrower Income Level   | % Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Owner Occupied Units in AA |
|   | Purchase             | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                                 |
| Low   | 0.0                  | 0.0              | 0.0       | 0.0                      | 0.0              | 0.0       | 0.0                             |
| Moderate  | 0.0                  | 0.0              | 0.0       | 7.7                      | 3.6              | 2.7       | 5.2                             |
| Middle  | 0.0                  | 100.0            | 50.0      | 72.5                     | 71.1             | 71.2      | 72.6                            |
| Upper   | 100.0                | 0.0              | 50.0      | 19.8                     | 25.3             | 26.1      | 22.2                            |

Source: 2000 U.S. Census data and 2011 HMDA LAR. Made 4 loans in this AA in 2011

| 2012 - 2013 Geographic Distribution of Residential RE Loans in Non MSA |                      |                  |           |                          |                  |           |                                 |
|--|----------------------|------------------|-----------|--------------------------|------------------|-----------|---------------------------------|
| Borrower Income Level  | % Total Thrift Loans |                  |           | % of Loans by AA Lenders |                  |           | % of Owner Occupied Units in AA |
|  | Purchase             | Home Improvement | Refinance | Purchase                 | Home Improvement | Refinance |                                 |
| Low  | 0.0                  | 0.0              | 0.0       | 0.0                      | 0.0              | 0.0       | 0.0                             |
| Moderate   | 0.0                  | 0.0              | 0.0       | 6.6                      | 2.0              | 3.1       | 4.6                             |
| Middle   | 100.0                | 100.0            | 100.0     | 82.8                     | 87.0             | 83.9      | 80.9                            |
| Upper  | 0.0                  | 0.0              | 0.0       | 10.6                     | 11.0             | 13.0      | 14.5                            |

Source: 2010 U.S. Census data and 2012 and 2013 HMDA LAR. Made 5 loans in this AA in 2012-2013

### Responses to Complaints

Neither Covington’s management nor our office received any complaints regarding Covington’s CRA performance during the review period.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 195.28(c) in determining a Federal Savings Association’s (FSA’s) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans as part of the FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.