



PUBLIC DISCLOSURE

December 01, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Victory Community Bank
Charter Number 717868

2500 Chamber Center Drive, Suite 100
Ft. Mitchell, KY 41017

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 major factors in support of this rating include:

- More than reasonable loan-to-deposit ratio;
- A majority of mortgage loans were originated within the assessment area (AA); and
- Reasonable penetration among borrowers of different incomes

SCOPE OF EXAMINATION

Our office conducted a Community Reinvestment Act (CRA) evaluation to assess Victory Community Bank's (Victory) record of meeting the credit needs of its community. We used the small savings association CRA evaluation procedures to perform our review. The evaluation period was from January 1, 2012 through December 31, 2013.

Our review focused on the thrift's primary lending product, residential real estate loans, as determined through discussions with management, a review of loan originations during the evaluation period, and the composition of the thrift's loan portfolio as of September 30, 2014. Our review focused on home purchase, home refinance, and home improvement loans.

To perform our analysis of lending inside the thrift's AA, we used all residential real estate loans listed on the institution's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) for 2012 and 2013. We completed a HMDA data integrity examination to ensure the accuracy and reliability of the 2012 and 2013 data. We used only residential real estate loans originated in the AA to evaluate Victory's performance relative to the geographic and borrower distributions.

DESCRIPTION OF INSTITUTION

Victory is a federally chartered, stock savings association located in Ft. Mitchell, Kentucky. The main office is located in Ft. Mitchell with two additional branches located in Florence and Fort Thomas, Kentucky. All of the thrift's offices are located in the Cincinnati, OH-KY-IN Metropolitan Statistical Area (Cincinnati MSA). The main office in Fort Mitchell, KY and the branch office in Florence, KY contain automated teller machines (ATMs) and drive-thru facilities. The institution offers standard products and services through its network of branches. No offices have opened, closed, or changed locations since the previous CRA evaluation (April 2010).

The thrift received a satisfactory CRA rating from the prior CRA evaluation. Currently, no legal or financial impediments exist that could restrict the thrift's ability to serve the community's credit needs. As of September 30, 2014, the thrift reported total assets of \$164 million and tier 1 capital of \$20.1 million with net loans representing 79.74 percent of total assets.

The thrift's primary lending product is loans secured by 1-4 family residential real estate. Table 1 details Victory's loan portfolio composition as of September 30, 2014.

Table 1 - Loan Portfolio Mix As of September 30, 2014		
Loan Type	Dollar Volume (in 000's)	% of Gross Loans
Residential Real Estate Loans	122,528	97.00
Consumer-Installment Loans	395	0.30
Commercial Loans	42	0.01
Other Loans Secured by Real Estate	3,401	2.69
TOTAL LOANS	126,366	100.00

Source: September 30, 2014 Consolidated Report of Condition and Income

DESCRIPTION OF ASSESSMENT AREA(S)

Victory's AA consists of Kenton, Boone, and Campbell Counties in the northern and central parts of Kentucky, all being part of the Cincinnati MSA. The AA is contiguous, meets the requirements of the CRA regulation, and does not arbitrarily exclude any low- or moderate-income areas. According to the 2010 US Census, the AA is comprised of 88 census tracts (CT), including 8 low-income, 18 moderate-income, 40 middle-income, 21 upper-income CTs, and 1 CT with an income designation of not applicable. All three offices are located in middle income CTs adjacent to upper income CTs except for the main office, which is also adjacent to a moderate income CT. Management selected the AA due to the majority of the thrift's lending and deposit activities originating in these three counties.

The AA's economy is diversified and not heavily dependent upon any industry or employer. The largest employers in the area include the Internal Revenue Service, Kroger Company, Procter & Gamble, ABX Air Inc., Toyota Motor Engineering and Manufacturing, GE Aviation, Delta Airlines, and Cincinnati/Northern Kentucky International Airport.

The economy in the AA has improved since the preceding CRA evaluation. As of August 2014, the unemployment rates averaged 5.4 percent, 5.8 percent, and 5.7 percent for Boone, Campbell, and Kenton counties, respectively. These percentages improved significantly from 9.9 percent, 11.1 percent, and 11.1 percent respectively at the preceding evaluation. In addition, the AA's August 2014 unemployment rates compared favorably to the state of Kentucky's average of 6.5 percent unemployment.

Competition with other financial institutions within the AA remains substantial. As of June 30, 2014, 16 commercial banks and 5 savings associations, including Victory, maintained 155 offices within the AA. Total deposits of all institutions within the AA equaled approximately \$5.9 billion. Victory held approximately \$123 million, or 2.11 percent, of the AA's total deposits, ranking 11th out of the 21 AA institutions. Institutions with the highest market share included multi-state, regional, and national institutions with branches outside the AA, such as JPMorgan Chase Bank, Bank of Kentucky, Fifth Third Bank, PNC Bank, Huntington National Bank, and U.S. Bank.

Our community contact indicated there are good opportunities for local financial institutions to become involved with community development projects and programs in Northern Kentucky. More specifically, affordable housing was identified as a primary credit need of the area. The contact mentioned that a few local financial institutions are involved in community development in the Northern Kentucky area. A summary of demographic characteristics for the AA is as follows:

Demographic Information Victory Community Bank AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	88	9.09	20.45	45.45	23.86	1.14
Population by Geography	368,867	4.47	16.92	50.09	28.52	0.00
Owner-Occupied Housing by Geography	100,160	2.55	15.24	52.16	30.05	0.00
Family Distribution by Income Level	93,214	4.26	16.08	50.39	29.27	0.00
Median Family Income		\$67,515	Median Housing Value	\$154,629		
HUD Adjusted Median Family Income for 2013		\$68,700	Median Year Built	1973		
Households Below Poverty Level		9.96%	Monthly Gross Rent	\$713		

Source: 2010 US Census and 2013 HUD updated Median Family Income

(*) The NA category consists of geographies that have not been assigned an income classification.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- Victory Community Bank’s lending performance is satisfactory.

Loan-to-Deposit Ratio

Victory’s loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, and assessment area credit needs. The thrift’s quarterly average LTD ratio for the 19 quarters since the prior CRA evaluation (January 2010 thru September 2014) of 109.29 percent is more than reasonable compared to similarly situated financial institutions. Since the prior CRA evaluation, Victory’s LTD ratio ranged from a low of 101.10 percent to a high of 119.93 percent. A review of six similarly situated financial institutions located in Boone, Campbell, and Kenton Counties revealed an average LTD of 80.85 percent over the same period. Victory ranked first among the similarly situated institutions serving its assessment area.

Lending in Assessment Area

Overall, a majority of Victory's lending activity occurs inside its assessment area. Table 2 details Victory's AA lending activity during the evaluation period by number of loans originated and dollar volume.

Table 2 - 2012-2013 Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000's omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	499	56.8	380	43.2	879	85,114	48.7	89,648	51.3	174,762
Home Improvement	3	60.0	2	40.0	5	473	89.2	57	10.8	530
Home Refinance	610	80.2	151	19.8	761	109,523	78.4	30,098	21.6	139,621
Totals	1,112	67.6	533	32.4	1645	195,110	62.0	119,803	38.0	314,913

Source: 2012-2013 Victory Community Bank's HMDA data

Lending to Borrowers of Different Incomes

The distribution of loans, given the AA demographics, reflects reasonable penetration among individuals of different income levels. Demographic factors affecting the distribution of loans include a moderate poverty rate and substantial competition from other financial institutions. The poverty rate influences the number of qualified borrowers in the low-income category. With 10 percent of households having incomes below the poverty level, the institution has fewer opportunities to lend to low-income individuals. Within the AA, 35.87 percent of families have low- or moderate-incomes. Substantial competition in the AA may saturate the market and further limit lending opportunities to low- and moderate-income individuals. In 2012 and 2013, home purchase loans and refinance loans totaled 44 percent and 55 percent respectively of home mortgage originations by number in the AA. As a result, we placed the most emphasis on these two types of loans.

Victory's lending performance for home purchase and refinance loans to low-income borrowers reflects reasonable penetration given the percentage of households and families with incomes below the poverty level and number of AA competitors. The poverty level contributes to the lower penetration to low-income borrowers as these households may experience difficulty meeting the credit underwriting standards for home loan products. Numerous institutions compete for the already reduced pool of low-income borrowers. Victory's home purchase and refinance lending to moderate-income borrowers was reasonable given the area demographics and location of Victory's branches.

Table 3 - 2012-2013 Borrower Distribution of Residential Real Estate Loans in the AA							
Borrower Income Level	% of number of Thrift Loans			% of number of Loans by AA Lenders			% of AA Families by Income Level
	Home Purchase	Home Improvement	Home Refinance	Home Purchase	Home Improvement	Home Refinances	
Low	8.5	0.0	3.4	18.5	13.2	7.4	18.8
Moderate	22.8	0.0	14.8	30.3	28.5	20.0	17.1
Middle	22.6	50.0	21.3	24.0	24.3	25.4	22.3
Upper	46.2	50.0	60.6	27.3	34.0	47.3	41.9

Source: 2010 US Census Data, 2012 Peer Mortgage Data (USPR), and Victory's 2012-2013 HMDA loan data.

Geographic Distribution of Loans

Victory's geographic distribution of residential real estate loans reflects poor dispersion in moderate-income census tracts. The percentage of loans in moderate-income geographies is significantly below other AA lenders. Victory's offices are not located near any low- or moderate-income census tracts except for the main office, which is near one moderate-income census tract. While branch location is a consideration, the level of owner-occupied units was less restrictive in the moderate-income census tracts as 15 percent are owner occupied compared to 2.6 percent in low-income census tracts. The institution's lending to borrowers in low-income census tracts reflects reasonable dispersion considering the low number of owner occupied units and branch locations. With only 2.6 percent of owner-occupied units in low-income census tracts, Victory's opportunities to lend are limited. Based on conversations with management, Victory's home mortgage lending is largely referral based, which limits the thrifts geographic distribution of loans to low- and moderate-income census tracts. The geographic distribution analysis reflects lending throughout the AA with no conspicuous gaps.

Table 4 - 2012-2013 Geographic Distribution of Residential Real Estate Loans in the AA							
Census Tract Income Level	% of number of Thrift Loans			% of number of Loans by AA Lenders			% of AA Owner Occupied Housing Units
	Purchase	Home Improvement	Refinance	Purchase	Home Improvement	Refinance	
Low	0.6	0.0	0.3	1.1	2.3	0.7	2.6
Moderate	7.7	33.3	3.8	11.8	15.4	8.4	15.2
Middle	49.7	33.3	40.3	54.3	47.8	50.5	52.2
Upper	42.1	33.3	55.6	32.8	34.5	40.4	30.1

Source: 2010 U.S. Census Data, 2012 Peer Mortgage Data (USPR), and 2012-2013 Victory Community Bank's HMDA loan data.

Responses to Complaints

During the review period, Victory received no known written complaints relating to its performance in helping to meet the credit needs of its AAs.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.