

PUBLIC DISCLOSURE

October 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Commercial and Savings Bank Company
0439187000000
P.O. Box 50
701 S. Market Street
Danville, Ohio 43014

Supervisory Agency: Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101-1387

NOTE: 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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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of The Commercial Savings and Bank Company, Danville, Ohio, prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of October 14, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated outstanding.

The Commercial Savings and Bank Company ("CSBC") has an outstanding record of helping to meet the credit needs of its entire community, consistent with the bank's resources and capabilities. The bank's loan-to-deposit ratio is more than reasonable, a substantial majority of CSBC's loans are within its assessment area, loans are reasonably dispersed throughout the assessment area, and loans reflect an excellent penetration among individuals of different income levels, including low- and moderate-income individuals and small businesses.

DESCRIPTION OF INSTITUTION

The Commercial Savings and Bank Company's main office is located on 701 S. Market Street, Danville, Ohio. Based on its size and financial condition, the bank is able to meet the credit needs of the communities in its assessment area effectively. The types of credit offered, as noted in the bank's public file, include consumer loans, real estate loans, and loans to finance agriculture and small businesses.

The bank reported total assets of \$15.8 million in its June 30, 1997, Report of Condition and Income ("Call Report"). Table 1 reflects the distribution of the bank's loan portfolio as of that date.

Table 1

LOAN PORTFOLIO DISTRIBUTION AS OF JUNE 30, 1997		
Type of Loan	Amount (In Thousands)	Percentage of Total Loans
Commercial loans	593	5.59%
Loans secured by real estate:		
Secured by nonfarm, nonresidential properties	82	0.77%
Revolving, open end loans secured by 1- to 4-family residential properties	0	0.00%
Loans secured by 1- to 4-family residential properties	7,947	74.89%
Secured by farmland	713	6.72%
Construction and land development	0	0.00%
Secured by multifamily (5 or more) residential properties	0	0.00%
Agricultural loans	173	1.63%
Consumer loans	882	8.31%
Other	222	2.09%
Total	10,612	100.00%

The bank's performance under CRA was rated "Outstanding" at the previous examination of November 6, 1995.

DESCRIPTION OF CSBC'S ASSESSMENT AREA

The bank's assessment area is generally defined as all of Knox County and portions of Coshocton, Holmes, and Licking Counties. More specifically, the bank has determined this assessment area to include the following census tracts and block numbering areas:

Knox County

9867	9868	9869	9870
9871	9872	9873	9874
9875	9876	9877	

Coshocton County

9910	9911	9912
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Holmes County

9766	9768
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Licking County

7544	7547	7550
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The following table shows the distribution of those census tracts and block numbering areas ("BNAs") among the four income categories:

Table 2

INCOME CLASSIFICATION OF CENSUS TRACTS/BNAs IN ASSESSMENT AREA					
	Census Tract Income Classifications ⁶				
	Low ¹	Moderate ²	Middle ³	Upper ⁴	Total
Number of Tracts	0	3	14	1	18
Percentage of Total Tracts*	0%	17%	78%	6%	100%
Population ⁵	0	11,742	63,624	5,451	80,817
Percentage of Total Population*	0%	15%	79%	7%	100%
Number of Households ⁵	0	4,750	21,780	1,457	27,987
Percentage of Total Households*	0%	17%	78%	5%	100%
Owner-Occupied Households ⁵	0	2,892	17,524	981	21,397
Percentage of Total OOH*	0%	14%	82%	5%	100%
Number of Families ⁵	0	3,278	17,545	996	21,819
Percentage of Total Families*	0%	15%	80%	5%	100%

1 Less than 50 percent of the metropolitan statistical area ("MSA") median family income.

2 At least 50 percent and less than 80 percent of the MSA median family income.

3 At least 80 percent and less than 120 percent of the MSA median family income.

4 120 percent or more of the MSA median family income.

5 Based on 1990 Census Data information.

6 Based on HUD's estimated median family income for the MSA of 8400 which was \$38,800 in 1997.

* May not total 100 percent due to rounding.

Based on the information from the 1990 census, there are 80,817 persons and 27,987 households within The Commercial Savings and Bank Company's assessment area. The median household income in the assessment area is \$25,731, and the median family income is \$29,819. The median family income in Ohio for 1997 is \$38,800. Household income includes the income of all persons residing within a household, while family income includes only the income of persons related by blood or marriage living together.

Danville, a small village in Knox County with a population of just over 1000, is home to The Commercial Savings and Bank Company. According to 1990 data, the Danville economy has above average concentrations of agriculture, mining, and manufacturing. What it does not have is a significant government sector. Farming, Knox County's primary industry, produces over \$47 million in gross receipts annually. There are 1,140 farms in the county which average 198 acres per farm. Dairy products comprise twenty-nine percent of the annual agricultural output in the county. Corn, cattle, soybeans and hogs are also agricultural commodities in the county. Knox County is second in the state for producing sheep and wool.

Additionally, Knox County is home to a broad spectrum of industries. Danville and more broadly, Knox County, has a relatively large concentration of durable goods producers of products such as car parts, plastics, machinery, and computer components just to name a few. In 1995, for example, about 26 percent of Knox County's employment was in durable goods manufacturing which was approximately 5 percentage points higher than the state average and 10 percentage points above the national share. Much of the area's over-representation of durable goods manufacturing can be traced to the county's largest employer, Cooper Industries, Energy Services Group, a manufacturer

of turbines and other hardware used in oil and gas exploration. Cooper Industries accounts for about 6 percent of the county's jobs. Other than this, no particular manufacturing firm or industry represented an unusually large concentration of jobs.

Two other large employers in the area, The Mount Vernon Development Center and Kenyon College, command a 3.6 percent and 3 percent of the county's jobs, respectively. Although these are not especially large concentrations, it is likely that the influence of Kenyon College is understated by the employment data. Given the large student population and the subsidiary industries that rely on this consumer base, it is very likely that the region has substantial dependence on the college.

Although the population trends in Knox County have been reasonably strong in the past five years, income growth has tended to be near state and national norms. Nevertheless, the region appears to be relatively stable and prosperous. The June 1997 unemployment rates for Coshocton, Holmes, Knox and Licking Counties were 5.6%, 3.5%, 3.8% and 3.3%, respectively, compared to that of the state unadjusted average of 4.3% and the national unadjusted average of 5.2% for the same time period.

One community contact was conducted in conjunction with the examination. This contact provided information used in developing the performance context for the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's CRA performance was analyzed using interagency examination procedures. The analysis includes the following criteria:

- ! loan-to-deposit ratio;
- ! lending activity inside and outside of the bank's assessment area;
- ! distribution of loans to borrowers of different income levels;
- ! distribution of loans to businesses and farms of different sizes;
- ! reasonableness of the geographic distribution of loans within the bank's assessment area;
- ! bank's response to written complaints regarding its performance in helping to meet the credit needs of the assessment area.

Loan-To-Deposit Ratio

The Commercial Savings and Bank Company's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, assessment area credit needs, and competition. The bank's average loan-to-deposit ratio for the eleven quarters between examinations, based on June 30, 1997, Call Report information, is 74.57%. As listed in the June 30, 1997, Uniform Bank Performance Report, the bank's loan-to-deposit ratio was 73.35% which is significantly higher than the national peer average of 63.80% for banks of similar size in the same time period.

Lending Volume Within Assessment Area

Based on a sample of loans reviewed during the examination, it appears that a substantial majority of loans are in the bank's assessment area. Three loan types which were determined to be the bank's major loan types were sampled, including consumer, residential, and small business/farm loans.

Of the total number and total dollar volume of loans sampled, 96% and 99%, respectively, were originated within the bank's assessment area. As shown in the following table, the concentration of the number and dollar volume of loans within the assessment area substantially exceeds standards.

Table 3

DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
Loan Type	<i>Inside the Assessment Area</i>				<i>Outside the Assessment Area</i>			
	Number Of Loans	%	\$ Amount of Loans	%	Number Of Loans	%	\$ Amount of Loans	%
All Consumer Loans	49	96%	\$268,275	98%	2	4%	\$ 6,553	2%
Residential Loans	13	100%	\$685,609	100%	0	0%	\$ 0	0%
Small Business/Farm Loans	19	95%	\$296,356	96%	1	5%	\$11,343	4%
Total	81	96%	\$1,250,240	99%	3	4%	\$17,896	1%

Lending to Borrowers of Different Incomes

The distribution of borrowers, given the demographics of the assessment area, reflects an excellent penetration among borrowers of different income levels, particularly low- and moderate-income borrowers.

Overall, the distribution of total loans sampled to low- and moderate-income level borrowers is significant. For instance, 50% of all consumer loans were made to borrowers of low- to moderate-income levels, while 23% of all residential loans were made to low- to moderate-income borrowers. Such percentages are particularly noteworthy considering that only 40.4% of the families in the assessment area are low- to moderate-income, of which 8.8% are families whose incomes fall below the poverty level. The following table shows the breakdown of loan type to borrowers within the different income levels by loan product for the assessment area.

Table 4

DISTRIBUTION OF CONSUMER LOANS SAMPLED IN THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER
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Income Level	<i><u>Consumer-All</u></i>				<i><u>Residential</u></i>				<i>% of Families⁵</i>
	No.	%*	\$ Amount	%*	No.	%*	\$ Amount	%*	%
Low ¹	12	25	62,306	24	0	0	0	0	19.2
Moderate ²	12	25	41,956	16	3	23	130,640	19	21.2
Middle ³	17	35	105,962	40	4	31	155,969	23	26.4
Upper ⁴	7	15	54,551	21	6	46	399,000	58	33.2

1 Less than 50 percent of the metropolitan statistical area ("MSA") median family income

2 At least 50 percent and less than 80 percent of the MSA median family income

3 At least 80 percent and less than 120 percent of the MSA median family income

4 120 percent or more of the MSA median family income

5 Represents the percentage of families in the assessment area categorized by income level.

* May not total 100 percent due to rounding.

Additionally, the distribution of small business loans within the assessment area by borrower revenue is also significant. As shown in the following table, 100% of the loans originated were made to businesses and farms with revenues less than \$1,000,000.

Table 5

DISTRIBUTION OF COMMERCIAL/AGRICULTURAL LOANS SAMPLED WITHIN THE ASSESSMENT AREA				
Revenue Category¹	Number of Loans	%	Dollar Amount of Loans	%
Less than \$100,000	9	47	171,856	58
Greater than or equal to \$100,000 but less than \$250,000	6	32	51,500	17
Greater than or equal to \$250,000 but less than \$500,000	4	21	73,000	25
Greater than or equal to \$500,000 but less than \$1,000,000	0	0	0	0
Greater than or equal to \$1,000,000	0	0	0	0

¹Based on gross annual revenue figures

Geographic Distribution Within Assessment Area

The bank's overall geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area given the bank's location, size, and competition. As demonstrated in the following table, the majority of loans made were concentrated in middle- and upper-income census tract areas.

The analysis of data in the following table shows that, while 16.7% of the assessment area is comprised of moderate-income level census tracts, only as much as 21% of the number of loans and 9% of the dollar amount of the loans were made within these tracts. The low volume of lending in the moderate-income level tracts within the bank's assessment area appears to be affected by the amount competition that the bank faces, particularly in the Mt. Vernon area where most of the moderate-income tracts are located.

Table 6

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF CENSUS TRACTS COMPARED TO CHARACTERISTICS OF THOSE TRACTS								
	Low-Income¹		Moderate-Income²		Middle-Income³		Upper-Income⁴	
	<i>No.</i>	<i>\$</i>	<i>No.</i>	<i>\$</i>	<i>No.</i>	<i>\$</i>	<i>No.</i>	<i>\$</i>
Consumer-All	0	0	3	14,867	45	239,907	1	13,500
<i>Percent of Total</i>	0%	0%	6%	6%	92%	89%	2%	5%
Residential	0	0	1	60,000	11	525,609	1	100,000
<i>Percent of Total</i>	0%	0%	8%	9%	85%	77%	8%	15%
Small Business/Farm	0	0	4	20,751	15	275,605	0	0
<i>Percent of Total</i>	0%	0%	21%	7%	79%	93%	0%	0%
Number of tracts in Assessment Area <i>Percentage of Tracts*</i>	0 0%		3 16.7%		14 77.8%		1 5.5%	
Number of Families by Tract <i>Percentage of Families*</i>	0 0%		3,278 15%		17,545 80.4%		996 4.6%	
Owner- Occupied Households by Tract <i>Percentage of Households*</i>	0 0%		2,892 13.5%		17,524 81.9%		981 4.6%	

¹ Census tract having less than 50 percent of the MSA median family income.
² Census tracts having at least 50 percent and less than 80 percent of the MSA median family income.
³ Census tracts having at least 80 percent and less than 120 percent of the MSA median family income.
⁴ Census tracts having 120 percent or more of the MSA median family income.
* May not total 100 percent due to rounding.

ADDITIONAL FACTORS

No complaints were received by the Federal Reserve Bank of Cleveland or The Commercial Savings and Bank Company regarding the bank's performance under the Community Reinvestment Act.

No substantive violations of the fair lending laws were noted during the examination. Interviews with employees and management revealed an understanding of the regulatory requirements regarding fair lending.