

PUBLIC DISCLOSURE

August 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Sabina Bank
#043953500000
135 N. Howard St.
P.O. Box 157
Sabina, OH 45169

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 Sabina Bank prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of August 17, 1998. 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 "Satisfactory."

The Sabina Bank ("TSB") has a satisfactory record of meeting the credit needs of its entire community, consistent with the bank's resources and capabilities. The bank's loan-to-deposit ratio is reasonable, a majority of TSB'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 Sabina Bank's main office is located in Sabina, Ohio. Additionally, in December 1997, two branches were acquired, which resulted in a second noncontiguous assessment area.

The first branch, County Bank of Waynesfield, is located at 300 North Westminster Street, Waynesfield, Ohio and the second, County Bank of Ada, is located at 202 South Main Street, Ada, Ohio. The bank chose to utilize separate names because there is a lack of name recognition associated with The Sabina Bank at the branch locations. Furthermore, the bank owns two 24-hour ATMs in Sabina, Ohio and one 24-hour ATM in Ada, Ohio.

According to the bank's June 30, 1998, Report of Condition ("ROC"), the bank had total assets of approximately \$56.03 million. Loans comprise 48.28% of TSB's total assets while investments account for 37.06%. Real estate loans are approximately 52.20% of the bank's lending activity and include residential units, farmland and commercial buildings. The remaining lending volume consists primarily of the following: consumer installment loans (32.51%), agricultural loans (5.14%), and small business loans (10.05%).

The bank's performance under CRA was rated "Satisfactory" at the previous examination of January 27, 1997.

DESCRIPTION OF TSB's ASSESSMENT AREA I

The bank's main office assessment area is Clinton and Fayette Counties. Based on the information from the 1990 census, there are 62,881 people and 23,194 households within this assessment area. The median household income in this assessment area is \$25,238 and the median family income is \$29,509. The median family income in Ohio for 1997 was \$38,800. Household income includes the income of all persons residing within a household, whereas family income includes only the income of persons related by blood, marriage, or adoption within a household.

The block numbering areas within this assessment area include no low-income tracts, 2 (12.50%) moderate-income tracts, 14 (87.50%) middle-income tracts, and no upper-income tracts according to the 1990 Census Bureau data.¹ Of the households located within this assessment area, 12.46% are located in moderate-income tract areas. The remaining 87.54% of the households in this assessment area are located in middle income tracts. Further, 12.20% of the population in this assessment area is living in moderate-income tracts and 87.80% of the population in this assessment area are in middle income tracts.

Approximately 17,583 families live within this portion of the bank's assessment area. Moderate-income families represented 12.14% of the families in this assessment area, while middle-income families represented 87.86%.

According to the 1990 census, owner-occupied dwellings account for 62.90% of the total housing units within the assessment area. Of the remaining housing units, rental units represent 31.80% of the total with the remainder being vacant properties. The median housing value is \$47,737 and the median gross rent is \$332. The median housing age of this portion of the assessment area is approximately 46 years. Of the owner-occupied dwellings within this assessment area, 12.00% are in moderate-income tracts and 88.00% are in middle-income tracts. One to four family dwellings comprise 85.46% of the housing units within the assessment area, while mobile homes and five or more family dwellings comprise 7.44% and 6.51% of the units, respectively.

¹Low-, moderate-, middle-, and upper-income are defined as follows:

Low-income: Up to 50% of the median MSA family income.

Moderate-income: Greater than 50% up to 80% of the median MSA family income.

Middle-income: Greater than 80% up to 120% of the median MSA family income.

Upper-income: Greater than 120% of the median MSA family income.

Agriculture, manufacturing, retail, and services are the predominant industries within this assessment area. Unemployment in Clinton and Fayette Counties for June 1998 was 3.3 and 3.9%, respectively. The unemployment rate in both Clinton and Fayette Counties for the month of June 1998 was lower than the state and national averages of 4.5% and 4.7%, respectively.

DESCRIPTION OF TSB's ASSESSMENT AREA II

The Sabina Bank's second assessment area is Allen, Auglaize and Hardin Counties. Based on the information from the 1990 census, there are 185,451 people and 66,636 households within this assessment area. The median household income in this assessment area is \$27,449 and the median family income is \$32,583. The median family income in Ohio for 1997 was \$38,800.

This assessment area includes 4 (7.50%) low-income tracts, 9 (17.00%) moderate-income tracts, 34 (64.20%) middle-income tracts, and 6 (11.30%) upper-income tracts according to the 1990 census.² Of the households located within this assessment area, 3.96% are located in low-income tract areas, 11.64% are located in moderate-income tract areas, 73.25% are located in middle-income tract areas and 11.15% are located in upper-income tracts. Further, 3.65% of the population in this assessment area is living in low-income tracts, 11.36% in moderate-income tracts, 73.47% in middle-income tracts, and 11.52% in upper-income tracts.

Approximately 49,709 families live within this portion of the bank's assessment area. Low-income families represent 19.00% of the families in this assessment area, moderate-income families 18.80%, middle-income families 24.15% and upper-income families 38.06%.

According to the 1990 census, owner-occupied dwellings account for 67.80% of the total housing units within the assessment area. Rental units represent 25.20% of the total housing units with vacant properties formulating the remainder. The median housing value is \$52,275 and the median gross rent is \$337. The median housing age of this portion of the assessment area is approximately 45 years. Of the owner-occupied dwellings within this assessment area, 2.19% are in low-income tracts, 9.51% are in moderate-income tracts, 75.81% are in middle-income tracts and 12.49% are in upper-income tracts. One-to-four family dwellings comprise 85.54% of the housing units within this assessment area, while mobile homes and five or more family dwellings comprise 6.72% and 7.18% of the units, respectively.

Manufacturing, construction, government, retail and services are the predominant

²Low-, moderate-, middle-, and upper-income are defined as follows:

Low-income: Up to 50% of the median MSA family income.

Moderate-income: Greater than 50% up to 80% of the median MSA family income.

Middle-income: Greater than 80% up to 120% of the median MSA family income.

Upper-income: Greater than 120% of the median MSA family income.

industries within this assessment area. Unemployment in Allen, Auglaize, and Hardin Counties for June 1998 was 5.00%, 3.30% and 4.20%, respectively. The unemployment rate in Auglaize and Hardin Counties for the month of June 1998 was lower than the state and national averages of 4.50% and 4.70%, respectively. The rate for Allen County was slightly higher than both the state and national averages.

One community contact was performed within this assessment area. It was indicated that the economy in the area is stable. Economic expansion, in the form of new business and infrastructure improvement projects, is expected to bring additional employment to the area. In addition, several retail shops have established locations within this portion of the assessment area. These include restaurants and department stores. The contact also stated that housing is adequate, although there may be demand for low-priced housing such as trailer parks and high-priced housing (\$200,000+). Finally, the financial institutions within this assessment area have adequately been involved in expansion projects and will continue to be for the year's remaining projects. There was no knowledge of any discriminatory practices and it is believed that equal credit opportunities exist among the financial institutions within this 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 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 Analysis

The bank's loan-to-deposit ratio meets the standards for satisfactory performance. According to the June 30, 1998, ROC, the bank's net loan-to-deposit ratio was 55.43%. Since the last examination in January 1997, the bank's quarterly average net loan-to-deposit ratio is 62.98%. The following chart, based on quarterly ROC data, shows that the bank's loan-to-deposit ratio was relatively stable through the third quarter of 1997. However, during the fourth quarter of 1997, there was a substantial decrease in the loan-to-deposit ratio. This was the result of the bank's purchase of only the deposits of two branches, which explains the large deposit increase in the table below.

Consequently, the large amount of deposits purchased without a simultaneous increase or purchase of loans, resulted in a decreased loan-to-deposit ratio. According to bank

management, as the branches gain loan volume, the loan-to-deposit ratio will improve, as evidenced by an increase in the ratio for June 1998.

Table 1

LOAN-TO-DEPOSIT RATIO			
Date	Net Loans (In Thousands)	Deposits (In Thousands)	Loan-to-Deposit Ratio
March 31, 1997	\$24,269	\$32,025	75.78%
June 30, 1997	\$24,668	\$31,662	77.91%
September 30, 1997	\$24,456	\$31,118	78.59%
December 31, 1997	\$23,631	\$54,850	43.08%
March 31, 1998	\$24,314	\$51,655	47.07%
June 30, 1998	\$27,052	\$48,801	55.43%
Average Loan-to-Deposit Ratio			62.98%

Lending Volume Within Assessment Area

A statistical sample of the bank's major product categories was selected for review. The sample included small business, residential, and consumer loans. Based upon the sample, the loan volume (number of loans) within TSB's assessment area was 83.70% and the loan amount (dollar amount of loans) was 80.43%. The following shows the distribution by loan type:

Table 2

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA		
Loan Product	Number of Loans	Amount of Loans
Consumer	85.30%	85.20%
Residential Loans	94.10%	94.10%
Small Business	80.30%	68.70%

As shown in the following table, the concentration of the number and dollar volume of loans within the assessment area meets standards of satisfactory.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The distribution of borrowers, given the demographics of the assessment areas, reflects

an excellent penetration among borrowers of different income levels, particularly low- and moderate-income borrowers. For example, the bank made 61.10% of its consumer loans and 44.00% of its residential loans to low- and moderate-income borrowers. These percentages are particularly noteworthy considering consumer and residential loans comprise 32.51% and 52.20% of the bank's total loan portfolio. The bank's consumer lending to low-and moderate-income borrowers exceeds the percentage of individuals living in the assessment area. The following table shows the percentage of consumer loans made to borrowers of different income levels.

Table 3

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL*				
Loan Type	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers
CONSUMER Total Number of Loans	29.60%	31.50%	21.70%	13.80%
Total Amount of Loans	20.20%	31.20%	27.00%	17.70%
RESIDENTIAL LOANS Total Number of Loans	12.50%	31.50%	33.30%	39.60%
Total Amount of Loans	07.20%	07.80%	32.50%	49.70%
*Income level is determined based on Ohio's 1990 median family income of \$34,351.				

Additionally, the distribution of small business loans within the assessment areas by borrower revenue is also significant. Small business loans originated to those with gross annual revenues of \$1 million or less was 98.60%. The size and volume of these loans are reasonable based on the demographic data of the assessment area.

The bank's emphasis on small business lending, together with the high percentage of consumer loans to low- and moderate-income borrowers, demonstrates a strong commitment to meeting the credit needs of all segments of the community and exceeds the standards for satisfactory performance.

Geographic Distribution Within Assessment Area

The bank's loans are distributed adequately throughout the assessment area and meet the standard for satisfactory performance. The bank's assessment area is composed of 16

BNAs and 53 census tracts. Four census tracts are low-income, nine census-tracts and two BNAs are moderate-income, 34 census tracts and 14 BNAs are middle-income and 6 census tracts are upper-income. Approximately 14.30% of the assessment area's population reside in low- and moderate-income BNAs or census tracts. The following table illustrates the distribution of the bank's loans.

Table 4

DISTRIBUTION OF LOANS IN ASSESSMENT AREA GEOGRAPHIES		
Type of Loan	Low Income	Moderate Income
SMALL BUSINESS		
Total Number of Loans	0.00%	3.60%
Total Amount of Loans	0.00%	0.60%
CONSUMER		
Total Number of Loans	0.00%	8.40%
Total Amount of Loans	0.00%	8.40%
RESIDENTIAL		
Total Number of Loans	0.00%	10.40%
Total Amount of Loans	0.00%	06.40%

Although the percentage of loan distribution in low- and moderate- income areas is lower than the population percentage, it is still adequate. When the bank acquired the two branches, the purchase involved the deposits and not the loans. Consequently, The Sabina Bank will need time to originate loans under their new names (County Bank of Ada and County Bank of Waynesfield). Additionally, the branches are located quite a distance (approximately 25 miles) from the four low-income tracts in the Lima MSA. Banking competition in the low-income tracts precludes individuals from traveling the distance to The Sabina Bank's branches. Similarly, The Sabina Bank's resources and funding constraints would provide for a challenge to originating loans from such distant tracts. Although The Sabina Bank does not have a branch in Allen County which includes the Lima MSA and corresponding low-income tracts. Allen County is included in the bank's assessment area because of a high volume residential mortgage loan origination.

General

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

No substantive violations of fair lending laws were noted during the examination. Interviews with employees and management revealed an understanding of the regulatory requirements regarding fair lending. There are no legal or financial impediments that would prevent the bank from helping to meet the credit needs of its community.