

# PUBLIC DISCLOSURE

January 27, 1997

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Sabina Bank  
043953500000  
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.

## 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 January 27, 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 "Satisfactory."

Several factors support The Sabina Bank's ("TSB") satisfactory rating. First, the bank maintains a reasonable loan-to-deposit ratio. Second, the bank has made a majority of its loans within its assessment area. Third, based on an analysis of the bank's loans, the bank lends to borrowers of many different income levels and to small businesses of different sizes. Finally, the geographic distribution of the bank's loans is reasonable.

The following table indicates the performance level of The Sabina Bank, Sabina, Ohio, with respect to each of the five performance criteria:

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>The Sabina Bank Sabina, Ohio PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints		No complaints were received since the prior evaluation.	

### **DESCRIPTION OF INSTITUTION**

Based on its size and financial condition, the bank is able to meet the credit needs of the assessment area effectively. The bank operates a full-service office in Sabina, Ohio. The bank also operates a 24-hour automated teller machine located in front of a local grocery store. The bank received a satisfactory rating at its last CRA evaluation as of March 20, 1995.

According to its December 31, 1996, Report of Condition ("ROC"), the bank had total assets of approximately \$36.6 million. Since March 31, 1995, the bank's loans have increased by approximately \$100,000 while its deposits have decreased approximately \$3.2 million. The bank's average net loan-to-deposit ratio is approximately 77%. Its

loan-to-deposit ratio as of December 31, 1996, increased approximately 8% since the last CRA evaluation. The bank's loan portfolio is comprised of approximately 44% real estate, 44% consumer, 6% agriculture, and 6% commercial loans. The composition of the bank's loan portfolio reflects the level of demand for specific types of loans by members of the assessment area.

The bank offers a variety of loan products to fulfill the credit needs of residents and businesses within its assessment area. It extends consumer open- and closed-end, residential real estate, mobile home, agricultural, and commercial loans. Due to the size and resources of the bank, TSB does not offer any governmentally insured, guaranteed, or subsidized loan programs. The bank has established a referral arrangement for consumers interested in obtaining student loans.

## **DESCRIPTION OF THE SABINA BANK'S ASSESSMENT AREA**

The bank's assessment area is defined as Clinton and Fayette Counties in southwestern Ohio. The assessment area contains block numbering areas ("BNA"):

Clinton County: 9943, 9944, 9945, 9946, 9947, 9948, 9949, 9950, and 9951.

Fayette County: 9858, 9859, 9860, 9861, 9862, 9863, and 9864.

BNA 9861 and 9863 are designated as moderate income. All of the remaining BNAs are classified as middle income. There are no low- or upper-income BNAs in the assessment area. This area includes the cities of Wilmington, Sabina, and Washington Court House. According to 1990 census data, the population for the assessment area is 62,881. The two largest cities in the assessment area are Wilmington and Washington Court House with populations of 12,983 and 11,400, respectively.

CRA divides income levels into four categories: low-, moderate-, middle-, and upper-income. Because the bank's assessment area is not located in a metropolitan statistical area, the categorization of a borrower or BNA's income is determined relative to the statewide nonmetropolitan median family income. Pursuant to CRA's definitions, low-income individuals have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income borrowers have incomes of at least 50% but less than 80% of this amount. The regulation defines a middle-income borrower as one with an income of at least 80% but less than 120% of the statewide nonmetropolitan family income. A borrower with an income that is at least 120% or more of the statewide nonmetropolitan family income is considered upper income. BNAs and census tracts are classified using similar categories based on the level of median family income in the geography. According to 1990 census data, the statewide nonmetropolitan family income in Ohio is \$34,351.

The assessment area's median family income, as reported in the 1990 Census, is \$29,509, while its median household income is \$25,238. There are 17,583 families and 23,194 households within the assessment area. Approximately 12% of the families and 15% of the households are below the poverty level.

The chart below shows the assessment area's population distribution by tract income level.

**POPULATION DISTRIBUTION  
BY CENSUS TRACT OR BNA INCOME LEVEL**

	<u>Population</u>	<u>Percentage</u>
Low income	0	0
Moderate Income	7,674	12
Middle Income	55,207	88
Upper Income	0	0

The distribution of household and family income for the assessment area is summarized in the following table:

**ASSESSMENT AREA POPULATION BY INCOME LEVEL**

<u>Unit of Measure</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
Percentage of Households Compared to Median Household Income	25	16	20	39
Percentage of Families Compared to Median Family Income	20	19	25	36

Examiners contacted two government officials as part of the bank's CRA evaluation. information from these contacts was used to evaluate the bank's CRA performance.

According to community contacts and bank management, the economy in the bank's assessment area is experiencing strong and steady economic growth. The local economy continues to rely on agriculture, transportation, and manufacturing industries.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance in meeting the credit needs in its assessment area is considered satisfactory. The following criteria were analyzed to determine this rating.

Loan-to-Deposit Ratio Analysis

The bank's loan-to-deposit ratio is reasonable and, as such, meets the standards for satisfactory performance. The quarterly average of the bank's net loan-to-deposit ratio is approximately 77% since the previous evaluation. The following chart, based on quarterly ROC data, shows that the bank's ratio has ranged from 71% to 82% since the previous CRA evaluation. The loan-to-deposit fluctuations are caused by seasonal borrowings (loan volume increases) and loan paydowns (loan volume decreases). In addition, deposits decreased due to a decline in certificate of deposits. Although the bank's net loan-to-deposit ratio increased approximately 8% since the last CRA evaluation, much of the increase is attributable to a decline in the bank's deposits.

<u>Date</u>	<u>Net Loans (In thousands)</u>	<u>Deposits (In thousands)</u>	<u>Loan-to-Deposit Ratio</u>
March 31, 1995	\$24,795	\$34,912	71%
June 30, 1995	\$25,104	\$33,104	76%
September 30, 1995	\$25,114	\$31,959	79%
December 31, 1995	\$24,338	\$31,966	76%
March 31, 1996	\$24,018	\$31,155	77%
June 30, 1996	\$24,731	\$31,171	79%
September 30, 1996	\$25,165	\$30,747	82%
December 31, 1996	\$24,881	\$31,689	79%

As listed in the December 31, 1996, Uniform Bank Performance Report, the bank's loan-to-deposit ratio was 79%, which places the bank in the 88th percentile in relation to its peer group. The following chart shows September 30, 1996, UBPR data for the subject bank and two competitor financial institutions.

<u>Bank Name</u>	<u>Total Assets (In millions)</u>	<u>Loan-to-Deposit Ratio</u>
The Sabina Bank	\$ 37	82%
Bank A	\$383	86%
Bank B	\$ 74	118%

The quarterly average loan-to-deposit ratio for Bank A is 82% and for Bank B is 111%. As shown, the bank's ratio is less than both competitor's, but TSB's total assets are also significantly lower than each of the competitor financial institutions. Based on loan demand, the lack of any identified unmet credit needs, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

#### COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

A review of a statistical sample of the loans originated by the bank since the last CRA evaluation reveals that a majority of its loans were made inside its assessment area.

The following table shows the percentages for number and dollar volume of major loan product lines that were inside the assessment area.

#### PERCENTAGE OF LOANS IN THE ASSESSMENT AREA

<u>Major Loan Product Lines</u>	<u>Total Number of Loans</u>	<u>Total Dollar Amount of Loans</u>
Consumer	92	94%
Residential	89	93%
Small Business	67	65%
Small Farm	78	83%

This level of concentration in the assessment area meets standards for satisfactory performance. As noted in the table, the majority of all the bank's loans are within the assessment area.

### LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's record of lending to borrowers of different income levels is very good and, as such, exceeds the standards for satisfactory performance. The bank provides consumer and consumer real estate loans to individuals of all different income categories, as shown in the following chart.

#### DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL\*

<u>Loan Type</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Middle Income</u>	<u>Upper Income</u>
<b>CONSUMER</b>				
Total Number of Loans	35%	29%	22%	14%
Total Amount of Loans	29%	29%	21%	21%
<b>CONSUMER REAL ESTATE</b>				
Total Number of Loans	9%	12%	26%	53%
Total Amount of Loans	5%	6%	24%	65%

\*Income level based on Ohio's 1996 nonmetropolitan median family income of \$37,000.

The data in the table indicates that the bank originated 64% of its consumer loans to low- and moderate-income individuals. Consumer loans comprise approximately 44% of the bank's total loan portfolio. This level of consumer lending seems more than reasonable. As previously discussed under the Description of Institution section, approximately 12% of the assessment area's households have low and moderate incomes. The bank's consumer lending to low- and moderate-income individuals significantly exceeds the percentage of these individuals living in the assessment area. The bank made about two-thirds of its consumer loans to low- and moderate-income borrowers. The remaining consumer loans are divided between middle- and upper-income categories.

Most of the bank's commercial and agricultural borrowers are small businesses. In fact, all of small business and 96% of small farm business loans sampled went to borrowers with gross annual revenues of \$1 million or less. The size and volume of the loans appear reasonable. Based on the CRA sample, 100% of the small business loans had

amounts less than or equal to \$100,000. Small farm loans with amounts less than or equal to \$100,000 equaled 96%; 4% of these loans had amounts between \$100,000 and \$250,000. The bank's emphasis on small business lending, which represents 12% of the bank's loan portfolio, 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 OF LOANS

The distribution of the bank's loans between geographies of different income levels in its assessment area is reasonable. As previously discussed, the bank's assessment area includes two moderate-income BNAs and 14 middle-income BNA tracts. Approximately 12% of the population reside in the moderate-income tract, and the remaining 88% reside in the middle-income tract. As the following chart indicates, the bank's lending patterns mirror this distribution.

#### DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BNA OR CENSUS TRACT INCOME LEVEL

<u>Loan Type</u>	<u>Moderate-Income</u>	<u>Middle-Income</u>
<b>CONSUMER</b>		
Total Number of Loans	9%	91%
Total Amount of Loans	7%	93%
<b>CONSUMER REAL ESTATE</b>		
Total Number of Loans	6%	94%
Total Amount of Loans	3%	97%
<b>SMALL BUSINESS</b>		
Total Number of Loans	20%	80%
Total Amount of Loans	54%	46%
<b>SMALL FARM</b>		
Total Number of Loans	0%	100%
Total Amount of Loans	0%	100%

As shown above, the percentages of consumer, consumer real estate, and small business in the moderate-income tract closely approximate the percentage of assessment area residents living in this tract. The percentage of small business loans in this tract exceeds the percentage of tract residents. There are no small farm loans in the tract due to the income levels of farmers in the assessment area. The number and dollar volume of consumer, consumer real estate, and small business loans closely approximate the population percentages for the BNAs. As such, the bank's geographic distribution of loans is reasonable and, thus, meets the standards for satisfactory performance.

### General Comments

The evaluation did not reveal any practices that are inconsistent with the substantive provisions of the fair lending and fair housing laws and regulations. In addition, the

bank has not received any CRA complaints since the previous evaluation.