

PUBLIC DISCLOSURE

July 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Apple Creek Banking Company
#04390220
3 West Main Street
Apple Creek, Ohio 44606-0237

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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I. 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 Apple Creek Banking Company prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of July 21, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

II. DESCRIPTION OF INSTITUTION

The Apple Creek Banking Company ("ACBC") is a subsidiary of the Apple Creek Bancorp, Inc. Both ACBC and its parent company are headquartered in Apple Creek, Ohio. ACBC had total assets of \$52 million as of March 31, 1997, comprising substantially all of the parent company's total assets.

ACBC operates three branches in Wayne County and one branch in western Stark County. The four branches serve the bank's assessment area, which is described more fully Section III of this report. ACBC is a full-service financial institution whose primary business focus is on residential real estate lending. The following table presents several key financial ratios for the institution.

Table 1 Key Financial Ratios as of March 31, 1997		
Ratio	Bank	Peer
Return on Average Assets	.88%	1.22%
Net Loans & Leases to Average Assets	73.5%	60.8%
Investments to Average Assets	23.0%	27.7%
Total Deposits to Average Assets	92.1%	87.9%
Net Loans & Leases to Total Deposits	79.6%	69.6%
1-4 Family Residential Loans to Average Loans	69.9%	31.3%
Consumer Loans* to Average Loans	7.8%	15.2%
Commercial Loans** to Average Loans	17.0%	23.0%

* Includes loans to individuals and credit card loans.

** Includes commercial & industrial loans, commercial real estate loans, and construction & development loans

ACBC's return on average assets has historically been below the peer average, a trend which continued in the first quarter of 1997. The table indicates the bank's emphasis on residential real estate lending. As shown above, ACBC's asset size and financial condition indicate that it has the ability to meet the credit needs of its assessment area. Further, there are no legal or other impediments which would hamper the bank's ability to meet

the community's credit needs.

III. DESCRIPTION OF ASSESSMENT AREA

ACBC has defined its assessment area as all of Wayne County and three census tracts in the northwest corner of Stark County. This assessment area complies with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies (i.e., census tracts or block numbering areas).

The assessment area includes 35 geographies in Wayne County (numbered 1 through 35) and three geographies in Stark County (tracts 7112, 7118.01, and 7114). Tables 2 and 3 present relevant demographic information for the bank's assessment area. The median household and family income levels for the area are \$29,190 and \$32,871, respectively. Households are defined as all persons occupying a housing unit, while families are defined as a household with occupants related by birth, marriage, or adoption.

Table 2 Demographic Data by Geography					
Type of Geography*	# and % of Geographies	# and % of Population	# and % of Households	# and % of HH that are Families	# and % of OO** Units
Low-Income	0 0%	0 0%	0 0%	0 0%	0 0%
Moderate-Income	1 3%	5,643 6%	1,318 4%	1,164 4%	1,046 4%
Middle-Income	26 68%	74,642 74%	26,729 75%	19,988 74%	18,531 73%
Upper-Income	11 29%	20,411 20%	7,599 21%	5,930 22%	5,773 23%
Total	38	101,461	35,646	27,082	25,350

* Geographies are classified as follows: low-income geographies have median family incomes less than 50% of the area median family income, moderate-income geographies have median family income from 50% to less than 80% of the area median family income, middle-income geographies have median family income from 80% to less than 120% of the area median family income, and upper-income

geographies have median family income equal to or greater than 120% of the area median family income.

** Owner-occupied units.

Table 2 indicates that no low-income and only one moderate-income tract are present within the bank's assessment area. The assessment area is comprised predominantly of middle-income geographies, and the majority of the population, households, families, and owner-occupied housing units are located within those middle-income geographies.

Income Level*	Number of Households	% of Households	Number of Families	% of Families
Low-Income	6,426	18%	3,913	14%
Moderate-Income	5,261	15%	4,665	17%
Middle-Income	7,560	21%	7,005	26%
Upper-Income	16,399	46%	11,499	43%
Below Poverty Level**	3,731	11%	2,278	8%

* Household/family income levels are classified as follows: low-income households/families have median household/family incomes less than 50% of the area median household/family income, moderate-income households/families have median household/family income from 50% to less than 80% of the area median household/family income, middle-income households/families have median household/family income from 80% to less than 120% of the area median household/family income, and upper-income households/families have median household/family income equal to or greater than 120% of the area median household/family income.

** Subset of low-income households/families

Although there are no low-income geographies within the bank's assessment area, Table 3 indicates there are households and families at all income levels living within the various geographies in the assessment area. The households and families are fairly evenly distributed among low-, moderate-, and middle-incomes, while a substantial percentage of the households and

families have upper-incomes. Of the low-income households and families, more than 50% are below the poverty level.

The assessment area has 37,036 housing units. Of these units, 68% are owner-occupied, 28% are rental units, and 4% are vacant. One-to-four-family units comprise 82% of the housing stock, with 71% consisting of one-family units. Multi-family units of five or more families comprise 6%, and mobile homes comprise 10% of the remaining housing stock. The median housing value is \$65,600, with the median gross rent equivalent to \$367 per month.

The local economy has experienced steady growth and is considered strong. A substantial portion of the employment base is centered in manufacturing, with approximately 10% of the number of businesses in the assessment area employing nearly 42% of the total employed individuals. The service and retail trade industries, respectively, are the next largest employers within the bank's assessment area. The area's largest employers include Rubbermaid, Inc., The Gerstenslager Company, The J. M. Smucker Company, and the Wayne-Dalton Corporation.

One community contact was conducted in conjunction with the examination, the purpose of which was to assess the economic conditions and credit needs of the area. This contact, as well as other economic and demographic information, confirmed that the area continues to prosper. The primary needs identified through the contact included business loans, especially small business loans.

IV. INSTITUTION RATING

This institution is rated outstanding.

Major factors contributing to this rating include:

- ! an excellent loan-to-deposit ratio,
- ! an excellent percentage of loans inside assessment areas,
- ! an excellent distribution of loans throughout the assessment area geographies, and
- ! a good penetration of loans among customers of different income levels.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-To-Deposit Ratio

The loan-to-deposit ratio is a primary measure used to analyze the level of deposited funds received by a smaller institution which are reinvested in the community through loans. For ACBC, an average loan-to-deposit ratio of 77.1% was calculated using the ratios from the ten quarters between December 1994 and March 1997. The bank's loan-to-deposit ratio has steadily increased from 73.8% reported on December 31, 1994, to 79.6% reported on March 31, 1997. The bank's loan-to-deposit ratio is well above the most recent peer level of 69.6%, indicating a high level lending activity by the bank.

Lending Within the Assessment Area

Table 4 indicates the level of lending by product type within the bank's assessment area. Depicted in the table are all consumer loans and all loans reported on the bank's Home Mortgage Disclosure Act Loan/Application Register for the first six months of 1997.

<p style="text-align: center;">Table 4 Lending Within Assessment Areas by Loan Product</p>				
Loan Type	Number of Loans	% of Total Loans	Amount of Loans *	% of Total Loans
All Consumer Loans	64	100%	\$362	100%
Commercial/Ag Loans	51	100%	\$2,464	95%
Home Improvement	20	91%	\$722	94%
Home Purchase	37	86%	\$1,812	84%
Refinancing	27	87%	\$1,903	87%
Total	199	94%	\$7,263	90%

* In thousands.

As indicated by the table, in the first six months of 1997, the bank originated 199 loans totaling approximately \$7.3 million. Of these aggregates, 94% of the number and 90% of the dollar volume of the bank's loans were originated within its assessment area.

Geographic Distribution

Table 5 illustrates ACBC's distribution of all loan products by geographic categorization within the bank's assessment area. For each loan product, the table indicates the number and dollar amount of the loan originations in each category of geography, expressed as a percentage of the total number and dollar amount of the respective loan product. Additionally, the table shows the percentage of geographies, population, households, families, and owner-occupied units within the bank's assessment area classified as low-, moderate-, middle-, and upper income.

Table 5				
Distribution of All Loan Products by Assessment Area Geography				
Type of Loan	Low-Income	Moderate-Income	Middle-Income	Upper-Income
All Consumer Loans	0%* 0%**	5%* 5%**	86%* 85%**	9%* 11%**
Commercial/Ag Loans	0%* 0%**	4%* 3%**	70%* 85%**	26%* 12%**
Home Improvement	0%* 0%**	0%* 0%**	95%* 92%**	5%* 8%**
Home Purchase	0%* 0%**	3%* 3%**	86%* 87%**	11%* 11%**
Refinancing	0%* 0%**	4%* 4%**	74%* 55%**	22%* 41%**
Percent of Geographies	0%	3%	68%	29%
Percent of Population	0%	6%	74%	20%
Percent of Households	0%	4%	75%	21%
Percent of Owner-Occupied Units	0%	4%	73%	23%

- * Percentage of total number of loans for the respective loan category.
 ** Percentage of the total dollar amount of loans for the respective loan category.

Table 5 illustrates that the distribution of the banks loan extensions for all loan

products generally mirrors that of the percentages of the geographies within its assessment area which are classified as low-, moderate-, middle- and upper-income. The only exception is home improvement loans. While ACBC has not extended any home improvement loans in the one geography classified as moderate income, the bank has extended only 20 home improvement loans in the first six months of 1997, approximately 10% of all loan extensions, indicating that home improvement loans are not a major loan product for ACBC.

Additionally, while the bank did not have any credit extensions in five geographies, they are all classified as middle- or upper-income. One of these geographies is extremely small and is substantially comprised of a regional developmental facility. The other four geographies are relatively recent additions to the bank's assessment area and are in a highly competitive location.

Overall, the bank's level of loan extensions generally reflects an excellent level of geographic distribution throughout its assessment area.

Borrower Distribution

Table 6 illustrates ACBC's distribution of all loan products by income level of the respective borrower. For each loan product, the table indicates the number and dollar amount of the loan originations by the income characteristic of the borrower, expressed as a percentage of the total number and dollar amount of the respective loan product. Additionally, the table shows the percentage of total households and families within the assessment area in conjunction with their relative income characteristics.

Table 6 Distribution of All Loan Products by Income Level of Borrower				
Type of Loan	Low- Income	Moderate- Income	Middle- Income	Upper- Income
All Consumer Loans	19%* 5%**	28%* 14%**	29%* 38%**	24%* 44%**
Home Improvement	10%* 11%**	35%* 19%**	30%* 45%**	25%* 25%**
Home Purchase	3%* 0%**	11%* 6%**	41%* 48%**	46%* 46%**
Refinancing	7%* 2%**	22%* 16%**	37%* 27%**	33%* 55%**
Percent of Households	18%	15%	21%	46%
Percent of Families	14%	17%	26%	43%

* Percentage of total number of loans for the respective loan category.

** Percentage of the total dollar amount of loans for the respective loan category.

Table 6 depicts the bank's distribution of loans based upon the income level of the borrower and generally reflects the demographic characteristics of its assessment area. Although the table reflects a relatively balanced distribution of lending across income categories, for the home purchase and

refinancing loan categories, the bank's level of penetration in the low-income category falls below the respective level of similarly characterized households and families residing in the assessment area. However, for nearly all loan products, the bank's level of penetration in the moderate-income category mirrors or exceeds the percentage of similarly characterized households and families.

In general, the distribution of the bank's lending reflects a reasonable penetration among borrowers of low- and moderate-income characteristics.

Consumer Complaints

Neither the bank or the Federal Reserve Bank of Cleveland has received any complaints regarding the bank's performance under the Community Reinvestment Act.

Fair Lending Laws and Regulations

No substantive or technical violations of the fair lending laws were noted during the examination. ACBC's loan policy contained an Equal Credit Opportunity Act statement, and interviews with employees revealed an understanding of the regulatory requirements with respect to fair lending.

The Apple Creek Banking Company Apple Creek, Ohio

Assessment Area



