

PUBLIC DISCLOSURE

December 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Minster State Bank
96 West Fourth Street
#04394020

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 Minster State Bank prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of December 15, 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.

DESCRIPTION OF INSTITUTION

The Minster State Bank (MSB) main office is located in the Village of Minster in southwestern Auglaize County. The bank has four additional branch locations, three of which are located in Auglaize County in the cities of St. Marys, New Bremen, and Wapakoneta and one branch in Shelby County in the City of Sidney. The bank's assets as of September 30, 1997, totaled approximately \$164 million. MSB opened a supermarket branch October 1997 in Minster, Ohio.

The bank offers a variety of deposit and credit products to fulfill the financial needs of residents and businesses within its assessment area. It extends consumer open- and closed-end, fixed- and adjustable-rate residential real estate, construction, housing rehabilitation, agricultural, and commercial loans. In addition to offering these conventional loan products, the bank participates in U.S. government Small Business Administration, community development, Farmers Home Administration, and State of Ohio "Link Deposit Loans" for agriculture and business government loan programs.

There are no legal or financial impediments that would prevent the bank from helping to meet the credit needs of its community.

DESCRIPTION OF THE MINSTER STATE BANK ASSESSMENT AREA

MSB is located approximately 50 miles northwest of Dayton, Ohio, and about 40 miles southwest of Lima, Ohio. MSB has defined its assessment area as including Auglaize, Darke, Mercer, and Shelby Counties in Ohio. This delineation encompasses all six of MSB's offices. This assessment area includes portions of Auglaize County, which is included in the Lima, Ohio, Metropolitan Statistical Area (MSA). The assessment area complies with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income geographies (i.e., census tracts or block numbering areas).

DESCRIPTION OF AUGLAIZE, DARKE, MERCER, AND SHELBY COUNTIES

MSB's assessment area includes Auglaize County (10 census tracts), Darke County (2 block numbering areas [BNAs]), Mercer County (8 BNAs), and Shelby County (10 BNAs). This area is a predominantly white middle- and upper-income area with no low-income census tracts or block numbering areas. The following chart details the racial composition of MSB's assessment area:

Racial Composition	Percentage of Total Population
Caucasian	98.5
African American	0.5
Hispanic	0.5
Asian	0.3
Native American	0.1

Auglaize County is part of the Lima, Ohio, Metropolitan Statistical Area (AMSA®). It contains all middle- and upper-income census tracts. Darke County consists of two middle-income BNAs. Mercer County has two of eight BNAs in moderate-income areas. The other six are middle- or upper-income areas. Shelby County has two of ten BNAs in moderate-income areas. The other eight BNAs are middle-income. The assessment area has 51,272 housing units, of which 72% are owner-occupied, 21% are rental units, and 7% are vacant. One- to four-family units comprise 87% of the housing stock, while multi-family units of five or more comprise 4% and mobile homes comprise 8% of the remaining housing stock. The median housing value is \$59,539

and the median gross rent is \$345 per month. The median housing age is 47 years with 38% of the housing stock built prior to 1950.

According to the Ohio Bureau of Employment Services, as of September 1997, Auglaize County had an unemployment rate of 4.4%. The unemployment rates in the banks other assessment areas were Shelby County 4.6%; Mercer County 3.4%; and Darke County 5.1%. Generally, unemployment figures are consistent with the state average and below the national average. The four counties have diverse industry with a high concentration of manufacturing and agricultural jobs. The top four employers in Auglaize County are as follows:

Employer	Number of Employees
Minster Machine Company	851
Dannon Company, Inc.	390
Precision Strip, Inc.	100
Minster Farmers Co-Op Exchange	38

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's CRA performance was analyzed using interagency examination procedures for small banks. The following criteria are analyzed:

- C loan-to-deposit ratio averaged over the past seven quarters;
- C lending activity inside and outside of the bank's assessment area;
- C distribution of loans to borrowers of different income levels;
- C distribution of loans to businesses of different sizes;
- C reasonableness of the geographic distribution of loans within the bank's assessment area;
- C 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 Minister State Bank's loan-to-deposit ratio is reasonably high given the bank's size, financial condition, credit needs of the assessment area, and the loan-to-deposit ratios of similarly situated and competitor banks. The loan-to-deposit ratio compares the net loans and leases of the bank to the total amount of customer deposits. The loan-to-deposit ratio is calculated for CRA analysis purposes by averaging the quarterly ratios from the quarter ending after the most recent previous CRA examination through the most current quarter for which accurate data are available.

For MSB, the average ratio of 89.05% was calculated using seven quarterly ratios from December 31, 1996, through September 30, 1997. The local peer banks' loan-to-deposit ratios ranged from 8 to 15 percentage points below MSB's. The national and local peer bank ratios were calculated using the loan-to-deposit ratios of other financial institutions having assets between \$100 million and \$300 million with three or more banking offices and located in a metropolitan area.

Lending Activity Inside and Outside of the Assessment Area

Loan data from the bank's 1996 HMDA-LAR as well as bank-provided information on 1997 consumer, residential, small business, and small farm loans were reviewed. Commercial loans included small and large (over \$100,000 in gross revenues) businesses. Of the loans reviewed, the distribution of loans made to entities from

within the bank's assessment area was as follows:

C	Consumer loans:	95%
C	Residential loans:	97%
C	Small Business:	95%
C	Small Farm:	95%

Based on the sample reviewed, the loan distribution indicates that the bank is exceeding standards.

Geographic Distribution of Loans Within the Bank's Assessment Area

An analysis of the geographic distribution of loans by income level of census tracts reveals that the bank's borrowers are concentrated in middle- and upper-income census tracts. However, one moderate-income census tract comprises 3.2% of the bank's assessment area. According to 1990 census data, 1.3% of the total population of the assessment area reside in this moderate-income census tract. While the bank is succeeding in extending credit to middle- and upper-income borrowers in their assessment area for all loan products, the distribution for moderate-income borrowers is less favorable. The following table shows the distribution of the bank's borrowers by the income levels of their respective census tracts:

Loan Type	Middle-Income Tracts	Upper-Income Tracts
Consumer	58%	42%
Residential	64%	36%
Small Business	58%	42%
Small Farm	55%	45%

The bank's geographic distribution of loans is considered satisfactory.

Distribution of Loans to Borrowers and Businesses of Different Income and Sizes

The distribution of the bank's consumer loans by borrower income is heavily concentrated among low- and upper-income borrowers. According to 1990 census data, low- and moderate-income families comprise 30.1% of the assessment area; if the families below poverty level are excluded, the percentage drops to 25.6%. The bank's percentage of consumer loans to low- and moderate-income borrowers of 51% is significantly above what would be a normal distribution. The following table shows the distribution of loans by borrower income and the percentage of families in each income category in the bank's assessment area.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Consumer	35%	16.0%	19.0%	29.0%
Residential	0%	14.0%	39.0%	47.0%
Population in assessment area	0%	3.2%	64.5%	32.3%

The distribution of business loans was analyzed by the gross revenues of the business or gross incomes of the borrowers, depending on which was used for the credit decision. According to the Equal Credit Opportunity Act, a small business or farm is defined as one having gross annual revenues of less than \$1 million. The following table shows the distribution of business loans by number of loan and by dollar amount of the loans sampled.

	Loan Amount < = \$100,000	\$100,000 < Loan Amount < = \$250,000	\$250,000 < Loan Amount < = \$1,000,000	Total
% of Total Loans (Small Farm)	62%	28%	10%	100%
% of Total Amount of Loans (Small Farm)	20%	36%	44%	100%
% of Total Loans (Small Business)	86%	11%	3%	100%
% of Total Amount of Loans (Small Business)	29%	31%	40%	100%

As can be seen from this table, the majority of MSB's loans are made to small farms and businesses, but the bank is very active in making small loans to commercial and agricultural enterprises of all sizes.

Bank's Response to any Written Community Reinvestment Act Complaints

No complaints relating to the bank's Community Reinvestment Act performance were received by the bank or by this Reserve Bank.

Services

Retail

MSB provides customers access to products and services through its six-office delivery system. In addition to its main office and supermarket branch in Minster, the bank operates four offices: New Bremen, St. Marys, Wapakoneta, and Sidney.

MSB offers a variety of deposit and credit products to benefit any individual. For example, low- and moderate-income borrowers can take advantage of the City of Sidney First-Time Homebuyers Assistance Program and housing rehabilitation loans. Farmers have access to the State of Ohio Agricultural Link Deposit program and Farmers Home Administration loans. Small business owners have the option to apply for a government-guaranteed loan from the Small Business Administration or a bank community development loan. Customers have access to Tele-Pal, free 24-hour touch tone teller during non-business hours. Each office is equipped with either a walk-up or drive-up ATM. A Call Center for customer service will begin operation January 1998.

Community

According to the Community Reinvestment Act, community development service means a service that (1) has as its primary purpose community development; (2) is related to the provision of financial services; and (3) has not been considered in the evaluation of the bank's retail banking services.

MSB's personnel and bank president are very active in community development throughout its assessment area. The bank is very involved assisting local businesses, fund raising, and donating to Auglaize-Mercer and Sidney-Shelby County YMCAs.

The St. Marys branch manager serves on the finance committee of the City of St. Marys First-Time Homebuyers Program and Revolving Loan Fund. The First-Time Homebuyers Program approves home loans to lower-income individuals with no downpayment, and the Revolving Loan Fund provides loans for businesses with gross annual revenues of \$1 million or less as well as local commercial expansion. The same branch manager participates on the finance committee for St. Marys Area Chamber of Commerce Loan Fund which provides low rate loans for new retail businesses with gross annual revenues of \$1 million or less. The bank president is treasurer for two organizations: Community Improvement Corporation and Minster Community Fund. He initiated development of a Chamber of Commerce for Minster, New Bremen, and New Knoxville. He raised over \$30,000 from local businesses for new computers as Auglaize-Mercer YMCA fund raising chairman. The bank has donated \$1,328 to Sidney-Shelby County YMCA to sponsor the Ninth Annual Financial Seminar.

Investments

MSB has donated the insurance premium worth \$2,000 and reduced the interest rate by 1% to Muskingum Development for investing \$2 million to \$3 million in refurbishing Fort Barbee Hotel to provide housing for people fifty-five years and older whose income is at or below 60% of the area median income.

The bank's performance in providing products and services that enhance credit availability in its assessment area are noteworthy and demonstrate its commitment to complying with the spirit of the Community Reinvestment Act.