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Regulation Comments

Chief Counsel's Office

Office of Thrift Supervision

1700 G Street, NW

Washington DC 20552

Attention: Docket No. 2006-01

The Apple Creek Banking Company is an $84 million bank located in north central Ohio. Two years ago, through merger, our community lost its largest community bank to a regional competitor. At that point the remaining community banks knew there would be many commercial loan opportunities. In order to take advantage of this opportunity, we hired three experienced loan officers and file documentation support staff. We also hired a consultant to help us develop a grading model for commercial loans, and we updated all loan policies to encompass commercial lending that may be done. Our current commercial portfolio consists mostly of 1-4 family rental units which is very conservative. Our Board of Directors has been involved with this process and will continue to be involved with decisions regarding our philosophy and our loan process.

We feel the new guidance could restrict The Apple Creek Banking Company from making commercial loans. While we are not at the current ratios, we are growing in commercial loans and could be considered "rapidly" approaching the ratios. Our current ratios are: Level 1, 21.77% and Level 2, 174.30%.

Our current capital level is 7.57% and peer is at 10.05%. Our current LLR level is .76% and peer is at 1.33%. It appears that this proposal will force capital levels up and additional LLR allocations based on the fact that we are growing in CRE loans. Additional ALLL will severely hurt the profitability of the Apple Creek Bank. As of January 31, 2006, the Apple Creek Bank had only two delinquent accounts in the entire bank. One loan is secured by an owner-occupied residence and one loan is secured by a 1-4 family rental unit. Both loans have little or no loss exposure. We had .03% charge-off in 2005 and historically have averaged .14% the last four years. Peer is at .23%. Our current LLR methodology shows we are over reserved by $106,076. Reading the proposal, it appears the regulators would want a change in our methodology to support much larger allocations to the reserve. I strongly disagree with this.

The proposal's recommendation regarding management information system reports will be costly and burdensome to small community banks. The costs will most likely outweigh the benefits for smaller banks.

The proposed guidance should not be put into place. If there needs to be additional supervision on commercial real estate loans, it should be done on a bank by bank basis and not applied to the whole industry.

Kurt Kline

President/CEO

The Apple Creek Banking Company