

PUBLIC DISCLOSURE

July 7, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Apple Creek Banking Company
RSSD: 213912

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Federal Reserve Bank of Cleveland
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Cleveland, OH 44101-1387

NOTE: This document is an evaluation of this 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. 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.

TABLE OF CONTENTS

Institution's CRA Rating	1
Scope of Examination	1
Description of Institution	2
Description of Overall Assessment Area	2
Conclusions with Respect to Performance Criteria	2
Description of Non-Metropolitan Assessment Area (Full Scope Review).....	7
Conclusions with Respect to Performance Criteria	11
Description of Canton-Massillon Metropolitan Assessment Area 15940 (Limited Scope Review)	14
Conclusions with Respect to Performance Criteria	17
Description of Akron Metropolitan Assessment Area 10420 (Limited Scope Review)	18
Conclusions with Respect to Performance Criteria	21
Appendix A (Tables)	22
Appendix B (Glossary)	24
Appendix C (Map of Assessment Area)	28

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- The loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs;
- The majority of loans and other lending-related activities are in the assessment area;
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas;
- Distributions of loans to borrowers reflects more than reasonable penetration among individuals of different income levels (including low- and moderate-income),
- Distributions of loans to businesses reflects more than reasonable penetration among businesses of different sizes given the demographics of the assessment areas and;
- There were no CRA-related complaints filed against the bank since the previous CRA examination.

SCOPE OF EXAMINATION

The evaluation of the CRA performance for The Apple Creek Banking Company ("Apple Creek") covered the period from June 2, 2003 through July 7, 2008, using lending data from January 1, 2006 through December 31, 2007. Because Apple Creek had assets less than \$265 million as of December 31, 2007, this evaluation was performed using the Interagency Small Bank Examination Procedures.

The lending products reviewed for this evaluation included commercial loans, residential home purchase loans, home equity lines of credit, and motor vehicle loans. Between January 1, 2006 and December 31, 2007, Apple Creek originated 84 commercial loans (\$13,099,000), 75 home purchase loans (\$7,167,000), 73 home equity lines of credit (\$2,877,000), and 60 motor vehicle loans (\$543,000). As a result, commercial loans received the greatest weight by volume and dollar amount during the assessment period. Home purchase loans received the next greatest weight by volume and dollar amount, followed by home equity lines of credit. Motor vehicle loans received the least amount of weight, based on volume and dollar amount. In addition to volume and dollar amount, consideration was given to loan growth and how recent a product was introduced, in determination of weighting.

Lending within Apple Creek's non-metropolitan assessment area received greater weight, due to the concentration of lending in this area, its multiple banking locations, and the limited branch operations in the Akron and Canton MSA areas. Further, there are no low-income tracts and only one moderate income tract located within the entire assessment area. Therefore, less weight is placed on the geographic distribution of loans with more emphasis on borrower distribution.

DESCRIPTION OF INSTITUTION

Apple Creek is the sole subsidiary of Apple Creek Banc Corp, both of which are located in Apple Creek, Ohio. The bank operates six branch offices (including the main office) throughout Wayne, Stark, and Summit Counties. The bank has no Automated Teller Machines.

According to the March 31, 2008, Uniform Bank Performance Report ("UBPR"), Apple Creek's total assets were approximately \$89.1 million. Apple Creek is primarily a retail lender with 90.80% of all loans secured by either residential or commercial real estate, of which 67.09% are secured by 1-4 family residential properties and 19.55% are secured by other real estate (including non-farm, non-residential properties). Additionally, credit cards and agricultural loans comprise 0.45% and 0.46%, respectively, of the bank's total loan portfolio.

Apple Creek offers a variety of loan and deposit products. In 2006, the bank reintroduced the home equity lines of credit ("HELOC") product.

Apple Creek has three assessment areas comprised of all of Wayne County and portions of Stark and Summit Counties. Wayne County is classified as a non-metropolitan area within the State of Ohio. Stark County is included in the Canton-Massillon MSA 15940 and Summit County is included in the Akron MSA 10420.

There are no legal or financial constraints preventing Apple Creek from meeting the credit needs of its assessment area and Apple Creek is consistent with its asset size, business strategy, resources, and local economy. The previous CRA rating as of June 2, 2003 was Outstanding.

DESCRIPTION OF OVERALL ASSESSMENT AREA

For purposes of CRA, Apple Creek has designated three regions within the State of Ohio as its assessment areas. The three assessment areas include Wayne County, three tracts within Canton-Massillon MSA 15940, and four tracts within Akron MSA 10420. The entire assessment area contains 40 census tracts, none of which are low-income tracts, one is a moderate-income tract, 33 are middle-income tracts, and six are upper-income tracts. Details of each assessment area are outlined in their respective sections.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

A financial institution's loan-to-deposit ratio compares the institution's outstanding aggregate loan balances to its total outstanding deposits. This ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters.

Apple Creek’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and the credit needs of its assessment area. The bank has averaged an 85.96% loan-to-deposit ratio over the past 20 quarters of operation and is above the peer group average ratio of approximately 75.97%.¹ The bank experienced moderate fluctuations in loan and deposit volume, which caused slight variations in the loan-to-deposit ratios until the end of 2006. Beginning in 2007, the loan to deposit ratio has steadily increased primarily due to a decline in the core deposit base.

The following table shows Apple Creek’s quarterly loan-to-deposit ratios for 20 quarters, since the previous evaluation, along with the average loan-to-deposit for the same period.

Loan-to Deposit Ratios			
As of Date	Net Loans (000s)	Total Deposits (000s)	Ratio
March 31, 2008	71,368	72,628	98.27
December 31, 2007	71,051	74,836	94.94
September 30, 2007	71,783	75,778	94.73
June 30, 2007	71,562	75,726	94.50
March 31, 2007	70,848	77,441	91.49
December 31, 2006	69,183	82,594	83.76
September, 30, 2006	67,991	79,720	85.29
June 30, 2006	67,968	80,601	84.33
March 31, 2006	64,929	80,245	80.91
December 31, 2005	63,563	75,928	83.71
September 30, 2005	61,660	74,888	82.34
June 30, 2005	60,954	71,962	84.70
March 31, 2005	58,414	69,946	83.51
December 31, 2004	56,786	68,989	82.31
September 30, 2004	55,647	65,647	84.77
June 30, 2004	54,108	64,528	83.85
March 31, 2004	53,649	64,804	82.79
December 31, 2003	53,969	66,244	81.47
September, 30, 2003	54,059	65,397	82.66
June 30, 2003	52,845	66,923	78.96
Quarterly Loan-to-Deposit Ratio Average since the previous examination			85.96

Lending in the Assessment Area

The bank’s commercial loans, home purchase loans, home equity lines of credit, and motor vehicle loans were analyzed to determine the volume of lending inside and outside of the bank’s assessment areas. A majority (88% by number and 90.2% by dollar amount) of the bank’s loans were made inside of its assessment areas.

The table below depicts Apple Creek’s volume of loans extended inside and outside of its

¹ Apple Creek’s national peer group consists of all commercial banks having assets between \$50 and \$100 million in non-metropolitan areas with 3 or more full service offices.

assessment areas between January 1, 2006 and December 31, 2007.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$(000s)	%	# of Loans	%	\$(000s)	%
Home Purchase	69	92.0	6,658	92.9	6	8.0	509	7.1
Small Business	73	86.9	11,722	89.5	11	13.1	1,377	10.5
Home Equity	62	84.9	2,482	86.3	11	15.1	395	13.7
Motor Vehicle	53	88.3	493	90.8	7	11.7	50	9.2
Total Loans	257	88.0	21,355	90.2	35	12.0	2,331	9.8

Geographic Distribution of Lending

The geographic distribution of loans among various census tracts within the bank’s assessment areas was evaluated using data from the 2000 United States Census report. Commercial lending was evaluated by comparing the bank’s lending to businesses located within each income tract (moderate, middle, and upper) to the percentage of businesses located within those respective tracts. Home purchase loans were analyzed by comparing the bank’s lending to the owner occupancy rate within the different income tracts. Further, the home equity and motor vehicle products were analyzed by comparing the bank’s lending to percentage of households located within each tract. Because there is only one moderate income tract within the bank’s assessment area, the geographic distribution of lending is given less weight in the overall assessment of Apple Creek’s CRA performance. From this point forward, the data that is being compared to the loans will be referred to as proxies.

Apple Creek’s loan production reflects a reasonable dispersion of lending among various income census tracts within its assessment area. The bank has exceeded the proxy for mortgage and motor vehicle lending in its moderate income census tract. However, there were no home equity lines of credit or business loans made in the moderate income tract. The home equity line of credit is a recent product addition to the bank, thus this is a limited portion of the bank’s portfolio. Further, only 2.9% of the assessment areas’ businesses are located within the moderate income tract; therefore, this is a limited lending opportunity for the bank.

There were no loans made during 2006 or 2007 in the city of Orrville or the tracts to the near east or north. The Orrville area is highly competitive, as National City has two branches and 48% of the market share, followed by First National Bank, also with two branches and 36% of the market.

There was one other tract outside of the Orrville market where no loans were made. This tract has a small population (282 people) with only 31 families and 34 owner-occupied homes (100% of the housing is owner-occupied).

In conclusion, the overall geographic distribution is considered reasonable.

Borrower Distribution of Lending

The distribution of loans to borrowers of different income levels was based upon annually adjusted median family income data made available by the U.S. Department of Housing and Urban Development (“HUD”). The bank’s borrower income distribution, with respect to commercial loans, was assessed by comparing the percentage of loans made to businesses in each revenue category (less than or equal to \$1 million or greater than \$1 million) to the percentage of total businesses in each revenue category. For mortgage loans, the borrower income distribution was assessed by comparing the percentage of loans made to borrowers in each income category to the percentage of families in each income category. For home equity and motor vehicle loans, the assessment was completed by comparing the percentage of loans made to borrowers in each income category to the percentage of households in each income category.

Although poverty level is determined by income and family size, a larger proportion of poverty level families are found in the low-income category and, to some extent, in the moderate-income category. Further, poverty levels can impact middle- and upper-income families as well, but not as significantly as low- and moderate-income families. It is difficult for borrowers at the poverty level to qualify for loans because their income is so limited. Poverty level is a factor in the performance context and taken into consideration in the conclusions regarding the bank’s performance. Within the bank’s total assessment area, 4.90% of the families are below the poverty level.

The bank’s lending reflects an excellent penetration among borrowers of different income levels and businesses of different revenue sizes. Proxies were exceeded significantly for low-income borrowers for both the home purchase and motor vehicle loans. The bank has a loan program specifically targeted to assist low-income borrowers purchase a home. The guidelines to qualify for this program are slightly more lenient to enable these borrowers the opportunity to purchase a home. This has contributed to the excellent home purchase lending for the entire assessment area.

The bank also exceeded lending proxies to businesses with annual revenues less than one million. A significant effort was made in the motor vehicle lending to moderate income individuals, as demonstrated by the bank’s lending being twice the proxy. Although home equity lending to low-income individuals was relatively low, this is a new product to the bank and it is difficult for low-income borrowers to qualify for a HELOC product.

Community Contacts

Two community contacts were conducted, during this examination. Both of the organizations interviewed are based in Wayne County.

Negative effects of the weakened economy, partially attributed to the Rubbermaid Company leaving the area, were a primary emphasis of one interview. According to this contact, lack of job creation and the poverty level continue to increase in Wayne County. The contact felt there is an opportunity for local banking institutions to reach out to low-income individuals by providing informational services outside of the bank. According to the contact, it is very intimidating for individuals of this status to enter a bank to access their services. The other contact felt that despite the departure of Rubbermaid, other manufacturing companies have expanded over the past several years. Further, it was indicated that there are many small businesses within the Wooster/Wayne County area that are prospering. Both organizations stated that local financial institutions are adequately addressing the needs of the community.

Response to Consumer Complaints

No CRA-related complaints were filed against Apple Creek, during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping the credit needs of the community was noted during this evaluation.

DESCRIPTION OF NON-METROPOLITAN ASSESSMENT AREA

Apple Creek has designated Wayne County as one of its three assessment areas. This county is located in a non-metropolitan area in north central Ohio. This assessment area is comprised of 33 census tracts. There are no low-income census tracts, one moderate-income census tracts, 26 middle-income census tracts, and six upper-income census tracts within this assessment area. Apple Creek's main office and two branches are located in Wayne County. The main office is located in Apple Creek and two banking branches are located in Wooster, Ohio. All three offices are located in middle income tracts.

Population

The 2000 U.S. Census report indicated that the total population of Wayne County was 111,564. The Ohio Department of Development² reported that the estimated population of this assessment area rose to 113,950 as of 2006. This reflects a population increase of 1.02% since 2000. Data from the 2000 U.S. Census report stated that individuals ages 25 to 64 represented 50.54% of the population. Individuals ages 17 and younger comprised 27.54% of the population. Individuals ages 65 and over and 18 to 24 accounted for 12.21% and 9.80%, respectively, of the population.

The largest city in Wayne County is Wooster with an estimated population in 2006 of 25,791, followed by Orrville City with an estimated population of 8,466.

As of 2000, there were 53,846 households within the bank's entire assessment area. Of all households, 16.28% were low-income, 15.84% were moderate-income, 20.83% were middle-income, 47.05% were upper-income, and 7.29% of all households lived below poverty level.

Of the 53,846 households in this assessment area, 40,040 were designated as families, of which, 12.87% were low-income, 18.06% were moderate-income, 25.40% were middle-income, 43.67% were upper-income, and 4.90% of all families lived below poverty level.

Housing

According to the 2000 U.S. Census report, there were 42,324 housing units in the bank's non-MSA assessment area. The majority (70.06%) of these units were owner-occupied, while 25.50% represented rental units and vacant units accounted for 4.44% of all housing units. One unit properties made up 72.91% of all housing units. Two-to-four unit properties accounted for 10.95% of all housing units. Mobile homes comprised 9.35% and multi-family units stood at 6.79% of all housing units in this assessment area.

² www.odod.state.oh.us

The Census Bureau³ reported a one-year decline of 24.9% to 1.38 million for 2007 in the total number of housing permits issued nationally. Single family housing permits declined 29.5% over the same time period. The state of Ohio and Wayne County has experienced a decline of 21.0% and .9% respectively, in total housing permits, and a decline of 25.6% and 20.7% respectively, in single family permits. According to 2000 Census Bureau data, the median housing value for Wayne County was \$104,850 slightly above Ohio's median of \$100,500. The majority (24.0%) of the housing units were built during 1939 or earlier, with a median year of 1967.

The Ohio Department of Development stated that the median housing value for the entire assessment area was \$108,100 and the median gross rent was \$492. The affordability ratio for the entire assessment area stood at 39%. These factors indicate the low cost of living within the assessment area.

This data further revealed that 4.00% of the area's housing units were in moderate-income tracts, 77.39% were in middle-income tracts, and 18.62% were in upper-income census tracts. The majority (50.98%) of the housing units located in the moderate income tract are rental units, while 41.98% are owner-occupied units. The percentage of owner-occupied units for the middle and upper income tracts are 68.9% and 80.8% respectively. As a result, the majority of Apple Creek's home equity and mortgage lending would be expected in middle- and upper-income census tracts.

Economics

The Ohio Workforce Informer⁴ states that Wayne County ranks first in the state for the production of oats, hay, cattle, calves, and dairy products. The top three major employers for the county are the College of Wooster (service), Frito-Lay Inc. (manufacturing), and JM Smucker Co. (manufacturing).

There are four major training providers that are located in Wayne County. These providers include: University of Akron Wayne College (Orrville, Ohio), Ohio State University Agricultural Technical Institute (Wooster, Ohio), The College of Wooster (Wooster, Ohio), and Wayne County Schools Career Center (Smithville, Ohio). Of the individuals twenty-five years or older, 42% have a high school diploma, while 11.6% hold a Bachelor's degree.

3 <http://www.bea.gov/>

4 <http://www.ohioworkforceinformer.org/?PAGEID=67&SUBID=122>

The Bureau of Labor Statistics⁵ indicated that the United States labor force increased 1.1% from a year prior, while the state of Ohio increased by 0.5% over the same time period. According to the Ohio Department of Job and Family Services,⁶ the unemployment rate for the state of Ohio as of April 2008 was 5.5%. Wayne County ranked 78th in the state with a 4.6% unemployment rate.

Of the 4,823 businesses located within in the total assessment area, 88.6% (4,274) have revenues less than or equal to \$1 million, 8.9% (431) are over \$1 million, and 2.4% (118) have not reported their earnings. Further, 140 (2.9%) of the businesses are located in the moderate-income tract, 4,088 (84.8%) are within the middle-income tracts, and 595 (12.3%) are located within the upper-income tract.

Competition

There is significant competition among financial institutions in this assessment area. As of June 30, 2007, there were 11 FDIC-insured financial institutions in Wayne County. National City Bank ranked first with 33.48% of the market share of deposits, operating 12 offices. FirstMerit Bank NA ranked second with 19.45% of the market share of deposits, operating six offices. Apple Creek ranked seventh among these institutions, holding 3.51% of the market share of deposits.

The following table provides the demographic characteristics of this assessment area:

⁵ <http://www.bls.gov/>
⁶ www.lmi.state.oh.us

Combined Demographics Report

Apple Creek Banking Company

Analysis Year: 2006 & 2007

Assessment Area(s): NonMSA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,877	13.0
Moderate-income	1	3.0	882	3.0	121	13.7	5,262	17.7
Middle-income	26	78.8	23,021	77.4	1,297	5.6	7,459	25.1
Upper-income	6	18.2	5,839	19.6	181	3.1	13,144	44.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	33	100.0	29,742	100.0	1,599	5.4	29,742	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,689	709	2.4	42.0	861	51.0	119	7.0
Middle-income	32,756	22,574	76.1	68.9	8,715	26.6	1,467	4.5
Upper-income	7,879	6,370	21.5	80.8	1,216	15.4	293	3.7
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	42,324	29,653	100.0	70.1	10,792	25.5	1,879	4.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	140	3.7	126	3.8	12	3.2	2	2.2
Middle-income	3,059	80.6	2,652	79.5	328	88.6	79	88.8
Upper-income	595	15.7	557	16.7	30	8.1	8	9.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,794	100.0	3,335	100.0	370	100.0	89	100.0
Percentage of Total Businesses:				87.9		9.8		2.3

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (NON-METROPOLITAN OH ASSESSMENT AREA)

Geographic Distribution of Lending

Based on demographic characteristics unique to this assessment area and performance details of all reviewed lending products, Apple Creek's geographic distribution of lending reflects a reasonable dispersion of loans throughout this assessment area.

Commercial Loans

Apple Creek originated 69 commercial loans totaling approximately \$11.3 million in this assessment area during this evaluation period. No loans were made in the moderate-income census tract; however, only 3.7% of businesses are located here. This represents a limited opportunity for lending. Lending in middle-income census tracts accounted for 89.9% of the bank's lending in this product line, which was above the 80.6% of businesses located in middle-income census tracts. The bank made 10.1% of its commercial loans in upper-income census tracts, which was below the total of 15.7% of businesses in upper-income geographies. The geographic distribution of commercial lending is reasonable.

Mortgage Loans

Apple Creek originated 67 mortgage loans totaling approximately \$6.6 million in this assessment area. Of these loans, 3.0% were made within the moderate income tract, exceeding the total of 2.4% of owner-occupied units in moderate-income census tracts. Lending in middle-income census tracts accounted for 88.1% of the bank's mortgage lending, which was above the total of 76.1% of owner-occupied units in middle-income census tracts. The bank made 9.0% of its mortgage loans in upper-income census tracts, which was below the 21.5% of owner-occupied units located in these geographies. This reflects an excellent level of mortgage lending among geographies.

Home Equity Lines of Credit

Home equity line of credit ("HELOC") lending across geographies is reasonable. Apple Creek originated 58 HELOCs, totaling approximately \$2.27 million. None of these loans were made in the moderate-income tract, while 3.88% of households are located in the moderate-income census tract, which indicates a limited lending opportunity. However, as previously mentioned, this is a relatively new product to the bank. Lending in middle-income census tracts accounted for 79.3% of the bank's lending, in this product line, which was above the total of 77.47% of households in middle-income census tracts. The bank made 20.7% of its HELOCs in upper-income census tracts, which exceeded the total of 18.65% of households in upper-income geographies.

Motor Vehicle Loans

Apple Creek originated 48 motor vehicle loans, totaling approximately \$402,000, in this assessment area, during this evaluation period. Of these loans, 4.2% were made in the moderate-income tract, which exceeded the 3.88% of households located in this tract. Lending in middle-income census tracts accounted for 81.3% of the bank's lending, in this product line, which was above the total of 76.1% of households in middle-income census tracts. The bank made 14.6% of its motor vehicle loans in upper-income census tracts, which was below the total of 21.5% of households in upper-income geographies. The geographic distribution of motor vehicle lending is excellent.

Lending to Borrowers of Different Income Levels

Borrower Distribution of Lending

Apple Creek has demonstrated excellent penetration of lending to borrowers of different income levels and businesses of different revenue sizes.

Lending to Businesses of Different Sizes

Apple Creek originated 69 commercial loans totaling approximately \$11.3 million. Businesses with annual revenues of \$1 million or less accounted for 87.9% of all businesses. The bank originated 97.1% of commercial loans to businesses with annual revenues of \$1 million or less. Further, 59.4% of the bank's business loans, regardless of annual revenues of the business, were for loan amounts of \$100,000 or less. In addition, 21.7% were for loan amounts ranging from \$100,001 to \$250,000 and 17.4% were for loan amounts from \$250,001 to \$1,000,000. This indicates the bank's willingness to make small dollar loans to businesses. The commercial lending to businesses of different revenue sizes is excellent.

Mortgage Loans

Of the 67 mortgage loans originated, 14.9% were made to low-income borrowers. This was well above the total of 13.0% of low-income families located in the assessment area; therefore, the bank's lending to low-income families is considered excellent. Another 14.9% of these loans were made to moderate-income families. This was slightly below the total of 17.7% of moderate-income families, in the assessment area. As such, the bank's lending to moderate-income families is considered reasonable. Loans to middle-income families represented 23.9% of the bank's mortgage lending, just below the total of 25.1% of middle-income families. The bank made 44.8% of its mortgage loans to upper-income families, in line with the total of 44.2% of upper-income families, in this assessment area. Overall, the bank's mortgage lending to borrowers of different income levels is excellent.

Home Equity Lines of Credit

The home equity line of credit (“HELOC”) lending to borrowers of different income levels is reasonable. Of the 58 home equity lines of credit originated, 5.2% were made to low-income borrowers. This was below the 16.78% of low-income households located in this assessment area. This product being new to the bank and the difficulty for a low-income individual to meet the requirements of a HELOC could have factored into its limited lending to low-income individuals. This factor was considered in evaluating the bank’s performance; therefore, the bank’s lending to low-income households is reasonable. Of these loans, 19.0% were made to moderate-income households. This exceeded the total of 16.07% of moderate-income households. The bank’s home equity lending to moderate-income households is excellent. Loans to middle-income households represented 39.7% of the bank’s home equity lending, which was above the total of 20.65% of middle-income households. The bank made 36.2% of its home equity lines of credit to upper-income households, which was below the total of 46.5% of upper-income households.

Motor Vehicle Loans

Of the 48 motor vehicle loans originated, 29.2% were made to low-income borrowers. This was well above the total of 16.78% of low-income households located in the assessment area. Therefore, the bank’s lending to low-income households is considered excellent. Apple Creek does participate in a low income lending program for motor vehicles which has increased their lending to low income individuals. The Goodwill Wheels to Work program assists Wayne and Holmes County residents at or below 200% poverty level and meeting other requirements in obtaining loans to purchase a vehicle. Apple Creek is one of four banks in the area that participate in this program. The loans are generally 12 to 24 months in duration and have a fixed interest rate of 8%, with no fees charged to the customer. Upon closing of the loan, the loan officer will explain to the individual the terms of the loan and the implications on the individual’s credit report.

Of the 48 motor vehicle loans, 37.5% were made to moderate-income borrowers. This greatly exceeded the total of 16.07% of moderate-income households and is considered excellent penetration. Loans to middle-income households represented 20.8% of the bank’s motor vehicle lending, which was slightly above the total of 20.65% of middle-income households. The bank made 12.5% of its home equity lines of credit to upper-income households, which was well below the total of 46.5% of upper-income households. The motor vehicle lending to borrowers of different income levels excellent.

DESCRIPTION OF CANTON-MASSILLON METROPOLITAN ASSESSMENT AREA 15940

(Reviewed using the limited examination procedures)

Apple Creek has designated three tracts of the Canton-Massillon Metropolitan Assessment Area (“MSA”) as part of the bank’s overall assessment area. All three of these tracts are middle-income and located on the western edge of Stark County. The bank currently operates two branches within this assessment area in Beach City and Canal Fulton.

Population

The 2000 U.S. Census Report stated that the total population of the entire Canton-Massillon MSA is 406,934. The bank’s assessment area had a total population of 20,122. The most recent data available, states that, as of 2006, the estimated population of Stark County was 380,575, which represents a 1% increase since 2000 for the county.

The 2000 U.S. Census Report stated that there were 7,253 households within this assessment area, with a median household income was \$45,385.00. Low-income households represented 14.79% of the assessment area’s total household population. Moderate-income households accounted for 14.52% of total households, middle-income households represented 22.90% of the population, and 47.79% of households in this assessment area were upper-income.

Of the 7,253 households within this assessment area, 5,605 (77.28%) were classified as families. In 2000, the median family income was \$50,898.00, and 12.10% of these families were low-income; 18.88% were moderate-income; 26.94% were middle-income; 42.09% were upper-income; and 4.10% of these families were below the poverty level.

Economics

The Ohio Workforce Informer⁷ states that manufacturing and retail trade are the primary employment sectors in Stark County. Aultman Hospital and Canton City Board of Education are two of this county’s largest employers.

Stark County’s unemployment rate is slightly higher than those of counties in the bank’s other assessment area. As of April, 2008, Stark County’s unemployment rate was 5.6% and is comparable to the State of Ohio’s unemployment rate of 5.5%.

⁷ <http://www.ohioworkforceinformer.org/?PAGEID=67&SUBID=122>

Housing

The most recent data available (2000 U.S. Census report) revealed that this assessment area contained 7,521 housing units, of which 77.98% were owner-occupied. Rental units accounted for 18.08% of the housing units and 3.94% of the total housing units were vacant properties.

In 2000, this assessment area contained 7,521 housing units. Of the total housing units, 80.26% were one-unit properties. Two-to-four unit homes represented 8.44% of total housing units. Multi-family homes, mobile homes, and all other unit types comprised 4.16%, 7.03%, and 0.11%, respectively, of total housing units. It is noted that 27.00% of all housing units within this assessment area were built prior to 1950. The median age of housing units was 29 years old.

Competition

There is significant competition among financial institutions, in this assessment area. As of June 30, 2007, there were 16 FDIC-insured financial institutions in Stark County. FirstMerit Bank NA held the largest market share of deposits (23.93%), operating the most offices (17) of all financial institutions in Stark County. Huntington National Bank ranked second with 14.60% of the market share of deposits, operating 16 banking offices. Apple Creek ranked fifteenth among these institutions, holding 0.29% of the market share of deposits.

The following table provides the demographic characteristics of this assessment area:

Combined Demographics Report

Apple Creek Banking Company
 Assessment Area(s): MSA 15940

Analysis Year: 2006 & 2007

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	678	12.1
Moderate-income	0	0.0	0	0.0	0	0.0	1,058	18.9
Middle-income	3	100.0	5,605	100.0	230	4.1	1,510	26.9
Upper-income	0	0.0	0	0.0	0	0.0	2,359	42.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3	100.0	5,605	100.0	230	4.1	5,605	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	7,521	5,865	100.0	78.0	1,360	18.1	296	3.9
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	7,521	5,865	100.0	78.0	1,360	18.1	296	3.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	602	100.0	535	100.0	42	100.0	25	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	602	100.0	535	100.0	42	100.0	25	100.0
Percentage of Total Businesses:				88.9		7.0		4.2

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA
(CANTON-MASSILLON METROPOLITAN ASSESSMENT AREA 15940)**

Due to Apple Creek's limited presence and lending activity in the Canton-Massillon MSA market, the bank's lending performance (with respect to the Community Reinvestment Act) was evaluated using the limited examination procedures.

Based on the information available, the bank's lending performance is consistent with its overall lending performance.

DESCRIPTION OF AKRON METROPOLITAN ASSESSMENT AREA 10420
(Reviewed using the limited examination procedures)

Apple Creek has designated four tracts of the Akron Metropolitan Assessment Area (“MSA”) as part of the banks overall assessment area. All four of these tracts are middle-income and located on the western edge of Summit County. The bank currently operates one branch within this assessment area located in Akron.

Population

The 2000 U.S. Census Report stated that the total population of the Akron MSA is 694,960. The bank’s assessment area had a total population of 15,927 and Summit County’s total population was 542,899. The most recent data available states that as of 2006, the estimated population of Summit County was 545,931, which represents a 1.0% increase since 2000 for the county.

The 2000 U.S. Census Report stated that there were 6,107 households within the area. The median household income was \$51,123.00. Low-income households represented 14.72% of the total household population. Moderate-income households accounted for 15.88% of total households. Middle-income households represented 19.60% of the households. The majority (49.80%) of households were upper-income.

Of the 6,107 households, 4,693 (76.85%) were classified as families. In 2000, the median family income was \$56,209.00. Further, 12.72% of these families were low-income; 19.41% were moderate-income; 25.99% were middle-income; 42.28% were upper-income; and 2.79% of these families were below poverty level.

Economics

The Ohio Workforce Informer⁸ states that manufacturing and health care/social assistance are the primary employment sectors in Summit County. Akron City Board of Education and Akron General Health System are two of this county’s largest employers.

As of April, 2008, Summit County’s unemployment rate was 5.1%, slightly below the State of Ohio’s unemployment rate of 5.5%.

Housing

The 2000 U.S. Census Report revealed that this assessment area contained 6,382 housing units, of which 84.93% were owner-occupied. Rental units accounted for 10.80% of the housing units and 4.28% of the total housing units were vacant properties.

⁸ <http://www.ohioworkforceinformer.org/?PAGEID=67&SUBID=122>

Of the total housing units, 91.79% were one-unit properties. Two-to-four unit homes represented 4.64% of total housing units. Multi-family homes and mobile homes comprised 1.54% and 2.04% respectively, of total housing units. It is noted that 23.50% of all housing units, within this assessment area, were built prior to 1950. The median age of housing units was 39 years old.

Competition

There is significant competition among financial institutions, in this assessment area. As of June 30, 2007, there were 21 FDIC-insured financial institutions in Summit County. FirstMerit Bank NA maintained the largest market share (24.13%) of all deposits and operated the most offices (33) of all financial institutions in the county. National City Bank ranked second with 14.23% of the market share of deposits and operated 24 offices. Apple Creek was ranked twenty-first, holding 0.08% of the market share of deposits.

The following table provides the demographic characteristics of this assessment area:

Combined Demographics Report

Apple Creek Banking Company
 Assessment Area(s): MSA 10420

Analysis Year: 2006 & 2007

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	597	12.7
Moderate-income	0	0.0	0	0.0	0	0.0	911	19.4
Middle-income	4	100.0	4,693	100.0	131	2.8	1,201	25.6
Upper-income	0	0.0	0	0.0	0	0.0	1,984	42.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4	100.0	4,693	100.0	131	2.8	4,693	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	6,382	5,420	100.0	84.9	689	10.8	273	4.3
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	6,382	5,420	100.0	84.9	689	10.8	273	4.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	427	100.0	404	100.0	19	100.0	4	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	427	100.0	404	100.0	19	100.0	4	100.0
Percentage of Total Businesses:				94.6		4.4		0.9

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA
(AKRON METROPOLITAN ASSESSMENT AREA 10420)**

Due to Apple Creek's limited presence and lending activity in the Akron MSA market, the bank's lending performance (with respect to the Community Reinvestment Act) was evaluated using the limited examination procedures.

Based on the information available, the bank's lending performance is consistent with its overall lending performance.

APPENDIX A

CRA TABLES

Lending Inside and Outside the Assessment Area								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$ (000s)	%	# of Loans	%	\$ (000s)	%
Home Purchase	69	92.0	6,658	92.9	6	8.0	509	7.1
Small Business	73	86.9	11,722	89.5	11	13.1	1,377	10.5
Home Equity	62	84.9	2,482	86.3	11	15.1	395	13.7
Motor Vehicle	53	88.3	493	90.8	7	11.7	50	9.2
Total	257	88.0	21,355	90.2	35	12.0	2,331	9.8

Borrower Distribution of Consumer Loans Assessment Area/Group: Overall										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	62	53.9	16.3	4.8	15.8	17.7	20.8	41.9	47.1	35.5
Motor Vehicle	53	46.1	16.3	32.1	15.8	37.7	20.8	18.9	47.1	11.3

Geographic Distribution of Consumer Loans Assessment Area/Group: Overall									
	Total Consumer Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	
Home Equity	62	53.9	2.9	0.0	83.1	80.6	14.0	19.4	
Motor Vehicle	53	46.1	2.9	3.8	83.1	83.0	14.0	13.2	

Borrower Distribution of Consumer Loans Assessment Area/Group: NonMSA										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	58	54.7	16.8	5.2	16.1	19.0	20.6	39.7	46.5	36.2
Motor Vehicle	48	45.3	16.8	29.2	16.1	37.5	20.6	20.8	46.5	12.5

Geographic Distribution of Consumer Loans Assessment Area/Group: NonMSA									
	Total Consumer Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	
Home Equity	58	54.7	3.9	0.0	77.5	79.3	18.7	20.7	
Motor Vehicle	48	45.3	3.9	4.2	77.5	81.3	18.7	14.6	

Borrower Distribution of Consumer Loans										
Assessment Area/Group: MSA 15940										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	1	20.0	14.8	0.0	14.5	0.0	22.9	0.0	47.8	100.0
Motor Vehicle	4	80.0	14.8	50.0	14.5	50.0	22.9	0.0	47.8	0.0

Borrower Distribution of Consumer Loans										
Assessment Area/Group: MSA 10420										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	3	75.0	14.7	0.0	15.9	0.0	19.6	100.0	49.8	0.0
Motor Vehicle	1	25.0	14.7	100.0	15.9	0.0	19.6	0.0	49.8	0.0

APPENDIX B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (“MA”): A metropolitan statistical area (“MSA”) or a metropolitan division (“MD”) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution’s CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (“Call Report”). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

APPENDIX C

ASSESSMENT AREA MAP

Apple Creek Banking Company
Assessment Area: Overall

