

PUBLIC DISCLOSURE

June 23, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Buckeye Community Bank
RSSD: 2836306

105 Sheffield Center
Lorain, Ohio 44055

Federal Reserve Bank of Cleveland
P.O. Box 6387
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.

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

Major factors contributing to this rating include:

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

The previous CRA evaluation (May 10, 2004) resulted in a rating of "Satisfactory."

SCOPE OF EXAMINATION

The evaluation of Buckeye Community Bank's ("Buckeye") Community Reinvestment Act ("CRA") performance covered the period of January 1, 2006 through December 31, 2007. The lending test was applied in assessing the bank's performance under CRA pursuant to the Interagency Procedures and Guidelines for Small Institutions.

The lending test includes an analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside the bank's assessment area;
- The geographic distribution of loans in the assessment area, including low and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including low and moderate-income borrowers, and businesses of different sizes, including small business; and,
- The bank's record of taking action in response to written complaints about its performance in helping to meet the credit needs in its assessment areas.

The loan products reviewed for this evaluation included small business loans and home equity loans. Commercial lending is comprised of unsecured, other secured, and real estate-secured small business loans. Consumer lending is comprised of home equity loans and lines of credit. There were not enough mortgage loans (HMDA-type loans) or small farm loans to conduct a meaningful analysis and therefore were not considered during this evaluation.

For purposes of evaluating the geographic distribution of loans, census tracts were classified on the basis of 2000 U.S. Census data. 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 most recent year for which median family income data is available is 2007. All other demographic indices and statistics presented throughout this evaluation are based on 2000 U.S. Census data unless otherwise noted.

Loans were evaluated to determine the lending activity inside and outside the bank's assessment area. In addition, loans inside the assessment area were evaluated on the geographic and borrower income distribution for each assessment area. The bank's geographic distribution with respect to small business loans were compared to the percentage of businesses within each geographic income category, regardless of revenue size of the business. Consumer home equity loans were assessed by comparing the percentage of loans made in each geography type (low-, moderate-, middle-, and upper-income) to the percentage of households in each geography type.

The bank's borrower distribution with respect to small business 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. The bank's lending pattern to businesses with \$1 million or less in revenue is weighted the most heavily in the analysis.

The bank's borrower income distribution with respect to consumer home equity loans was assessed by comparing the percentage of loans made to borrowers in each income category (low-, moderate-, middle-, and upper-income) to the percentage of households in each income category. Poverty level is determined by both income and family size. Generally, a larger proportion of poverty level families are in low-income category, and to a certain extent, the moderate-income category. Borrowers at poverty level often do not often qualify for real-estate loans, so the percentage of households below poverty level was considered when evaluating lending performance to low- and moderate-income borrowers.

For purposes of CRA, Buckeye's market consists of one assessment area within the State of Ohio. The assessment area is located in the Cleveland-Elyria-Mentor Metropolitan Statistical Area ("MSA") 17460. The MSA consists of the following five counties: Cuyahoga, Geauga, Lake, and Lorain Counties. Buckeye's footprint is comprised of the totality of Lorain County and 33 tracts in the northwest portion of Cuyahoga County.

Small business loans were reviewed and received the most weight representing 83.72% of the loans originated with 90.13% of the total dollars loaned within the bank's assessment area during this evaluation period. Consumer home equity loans received the least amount of weight representing 16.28% of the loans originated with 9.87% of the total dollars loaned within the bank's assessment area during this evaluation period. Because most of Buckeye's census tracts are middle-income tracts, a majority of the lending would be expected to be in middle-income tracts; therefore, the borrower analysis received the greatest weight when rating the bank's overall CRA performance.

The bank's assessment area was determined to comply with the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income census tracts.

DESCRIPTION OF INSTITUTION

Buckeye is a full-service retail bank and the sole banking subsidiary for Buckeye Bancshares, both of which are headquartered in Lorain, Ohio. Buckeye Bancshares receives income from Buckeye, but also owns a one-third interest in Advisors, LLC, a wealth management firm and not a licensed broker.

Although Buckeye offers a variety of retail and commercial banking products and services, the bank is primarily a commercial lender. As of March 31, 2008, Buckeye reported total assets valued at \$160 million, of which approximately 80.59% (\$129 million) represent loans. As of this date, commercial loans secured by real estate comprise the majority (40.77%) of the institution's loan portfolio. The remainder of the loan portfolio consists of approximately 32.37% commercial and industrial loans, 17.10% loans secured by 1-4 family residential real estate, 5.57% multi-family residential real estate loans, 3.12% construction and land development loans, 0.95% consumer loans, and 0.13% agricultural loans.

The main office is Buckeye's only branch office located in Lorain, Ohio. Buckeye operates a cash-only ATM at the main office. Since the previous examination, Buckeye has not opened or closed any branch offices or Automatic Teller Machines ("ATMs"); however, in April 2007, Buckeye opened a loan production office in North Olmsted in Cuyahoga County. With the opening of the loan production office, Buckeye added tracts in the northwest portion of Cuyahoga County to its assessment area.

As stated earlier, Buckeye's assessment area is located in the Cleveland-Elyria-Mentor Metropolitan Statistical Area ("MSA") 17460 within the State of Ohio and is comprised of all of Lorain County and 33 census tracts in the northwest portion of Cuyahoga County.

There are no legal or financial constraints preventing Buckeye from meeting the credit needs of its assessment area, consistent with its asset size, business strategy, resources, and local economy.

DESCRIPTION OF CLEVELAND-ELYRIA-MENTOR, OH METROPOLITAN ASSESSMENT AREA 17460

Buckeye has designated its assessment area as all of Lorain County and 33 census tracts in northwest Cuyahoga County. The entire assessment area is in the State of Ohio.

The overall assessment area is comprised of 106 tracts and is distributed as follows:

- Low-income: 3
- Moderate-income: 20
- Middle-income: 48
- Upper-income: 35
- Unknown-income: 0

Since most of the tracts in the assessment area are middle-income tracts, a majority of the lending would be expected in middle-income tracts.

There is much competition throughout the bank's assessment area. As of June 30, 2007, the Federal Deposit Insurance Corporation's ("FDIC") Summary of Deposits¹ reported that there were 17 FDIC-insured financial institutions operating 91 offices within the bank's footprint. Cuyahoga County is not included, since the bank does not have any branches in Cuyahoga County. Statistics indicate Buckeye ranked eighth with 3.49% of the market share of deposits within the counties it serves. FirstMerit Bank ranked first with 27.45% of the market share deposits with 18 offices, Lorain National Bank ranked second with 19.49% of the market share deposits with 19 offices, and Fifth Third ranked third with 11.54% of the market share with 11 offices.

Population

The 2000 U.S. Census report indicated that the total population of Buckeye's entire assessment area was 419,978. Data from the 2000 U.S. Census report stated that individuals age 25 to 64 represented 52.77% of the population. Individuals age 17 and younger comprised 25.19% of the population. Individuals age 65 and over and 18 to 24 accounted for 14.27% and 7.77%, respectively, of the population.

Income Characteristics

For purposes of evaluating the loan distribution to borrowers of different income levels, incomes were classified based upon annually adjusted median family income data made available by HUD. According to the 2000 Census, the median family income for this assessment area was \$57,561, which is above the median income level for the State of Ohio at \$50,037.

¹ www.fdic.gov

From an income distribution standpoint, 15.10% of the families in the assessment area are designated as low-income, 17.14% were moderate-income, 23.23% were middle-income, and 44.53% were upper-income. In the state, 7.82% of families live below the poverty level.

Housing

According to the 2000 U.S. Census report, there were 168,631 housing units in the bank's entire assessment area. The majority (71.72%) of these units were owner-occupied, while 23.47% represented rental units. Vacant units accounted for 4.81% of all housing units.

The percentage of 1-4 family housing units was 76.07% of all housing units. Multi-family unit properties account for 15.27% of all housing units. Mobile homes represent 2.86% of the remaining housing units in this assessment area. This data further revealed that 1.75% of the assessment area's housing units were located in low-income census tracts, 16.76% were in moderate-income tracts, 46.70% were in middle-income tracts, and 34.78% were in upper-income census tracts. The median age of the housing stock is 37 years. U.S. Census data indicated that the assessment area's median housing value is \$128,421. The median gross rent was \$569.

As a result, the majority of Buckeye's home equity lending would be expected in middle-income and upper-income census tracts.

Labor, Employment, and Economic Characteristics

The Ohio Department of Development's Office of Strategic Research indicates that manufacturing, health care and social assistance, retail trade, government, accommodation and food services, and administrative and waste services are the main types of employment in the assessment area. This information is based on average annual employment statistics for 2007.

According to the Ohio Department of Development,² major employers in Lorain County are Community Health Partners, Elyria City Board of Education, Emerson Electric/Ridge Tool, EMH Regional Medical Center, Ford Motor Company, Invacare Corporation, Lorain City Board of Education, Lorain County Government, Nordson Corporation, and Oberlin College. The major employers in Cuyahoga County are American Greetings Corporation, Case Western Reserve University, Cleveland Clinic Health System, Continental Airlines, Ford Motor Company, General Motors Corporation, KeyCorp, Lincoln Electric Holding Incorporated, National City Corporation, and Parker Hannifin Corporation.

² www.odod.state.oh.us

According to the Ohio Job and Family Services, Office of Workforce Development³ as of May 2008, the unemployment rates for the bank's assessment area were as follows:

- Lorain County – 7.10%
- Cuyahoga – 7.60%

The unemployment rates are higher than the national unemployment rate of 5.20% and the State of Ohio unemployment rate of 5.90%.

The following demographic table illustrates the bank's entire assessment area.

Combined Demographics Report

Buckeye Community Bank

Analysis Year: 2006 & 2007

Assessment Area(s): MSA 17460

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	2.8	1,783	1.6	588	33.0	16,934	15.1
Moderate-income	20	18.9	17,096	15.2	2,612	15.3	19,227	17.1
Middle-income	48	45.3	52,777	47.1	2,085	4.0	26,054	23.2
Upper-income	35	33.0	40,504	36.1	545	1.3	49,945	44.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	106	100.0	112,160	100.0	5,830	5.2	112,160	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	2,959	851	0.7	28.8	1,693	57.2	415	14.0
Moderate-income	28,264	15,330	12.7	54.2	10,884	38.5	2,050	7.3
Middle-income	78,758	57,520	47.6	73.0	17,882	22.7	3,356	4.3
Upper-income	58,650	47,247	39.1	80.6	9,118	15.5	2,285	3.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	168,631	120,948	100.0	71.7	39,577	23.5	8,106	4.8
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	405	2.9	343	2.8	44	3.5	18	5.6
Moderate-income	1,348	9.7	1,185	9.7	123	9.7	40	12.4
Middle-income	6,006	43.4	5,363	43.8	494	39.1	149	46.1
Upper-income	6,083	43.9	5,365	43.8	602	47.7	116	35.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	13,842	100.0	12,256	100.0	1,263	100.0	323	100.0
Percentage of Total Businesses:			88.5		9.1		2.3	

³ www.lmi.state.oh.us

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.

Buckeye'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 a 96.81% loan-to-deposit ratio over the past 17 quarters of operation and is above the peer group average ratio of approximately 82.53%.⁴ The bank has had significant growth in loan and deposit volume, but loans have grown at a faster rate than deposits throughout the evaluation period, which is expected for a bank that is primarily a commercial lender.

The following table shows Buckeye's quarterly loan-to-deposit ratios for 17 quarters since the previous evaluation, along with the average loan-to-deposit for the same period.

BCB Loan to Deposit Ratios				
As of Date	New Loans(000s)	Total Deposits (000s)	Bank Ratio	Peer Ratio
March 31, 2008	127,313	130,924	97.24%	86.55%
December 31, 2007	126,365	125,163	100.96%	86.71%
September 30, 2007	123,882	124,632	99.40%	85.62%
June 30, 2007	121,882	123,502	98.69%	85.08%
March 31, 2007	119,760	122,524	97.74%	84.21%
December 31, 2006	110,109	119,149	92.41%	84.66%
September 30, 2006	104,240	115,317	90.39%	84.91%
June 30, 2006	103,171	106,919	96.49%	85.45%
March 31, 2006	101,407	100,743	100.66%	84.32%
December 31, 2005	97,323	97,727	99.59%	82.66%
September 30, 2005	92,863	98,736	94.05%	83.32%
June 30, 2005	89,554	90,993	98.42%	83.40%
March 31, 2005	85,120	84,585	100.63%	78.27%
December 31, 2004	78,819	79,588	99.03%	78.09%
September 31, 2004	74,019	75,416	98.15%	77.97%
June 30, 2004	65,607	69,420	94.51%	76.47%
March 31, 2004	59,703	68,341	87.36%	75.31%
Quarterly Loan-to-Deposit Ratio Average Since Previous Evaluation			96.81%	82.53%

⁴ Buckeye's national peer group consists of all commercial banks having assets between \$100 and \$300 million in a metropolitan area with two or fewer full service offices.

Lending in the Assessment Area

The bank’s small business and home equity loans were analyzed to determine the volume of lending inside and outside of the bank’s assessment areas. A majority of the bank’s loans at 79.9% were made inside of its assessment area.

The table below depicts Buckeye’s volume of loans extended inside and outside of its 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)	%
Small Business	329	79.7	54,111	60.6	84	20.3	35,134	39.4
Home Equity	64	81.0	5,926	69.8	15	19.0	2,561	30.2
Total	393	79.9	60,037	61.4	99	20.1	37,695	38.6

Geographic Distribution of Lending

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among different income categories by census tract within the assessment area. Buckeye’s loan production reflects a reasonable penetration of lending among various income census tracts, within its assessment area.

During this review period, there were no significant gaps noted as Buckeye made loans in 69% (73 out of 106) of its census tracts, including 100% (3 out of 3) in low-income tracts, 70% (14 out of 20) in moderate-income census tracts, 71% (34 out of 48) in middle-income census tracts, and 63% (22 out of 35) in upper-income census tracts.

Small Business Loans

The geographic distribution of small business loans was analyzed to determine the dispersion of these loans among different census tracts within the assessment area. Penetration throughout the assessment area was considered reasonable.

During the evaluation period, Buckeye originated 329 commercial loans, aggregating approximately \$54.11 million in the assessment area during the evaluation period. Business demographics revealed that there are 12,256 small businesses in the assessment area, of which 2.80% are located in the low-income geographies, 9.70% are in moderate-income geographies, and 43.80% are located in both the middle- and upper-income geographies.

Buckeye’s extension of credit to these businesses shows that 1.80% of these loans were made to businesses in low-income tracts, which is below the total 2.80% of businesses in low-income census tracts. This reflects an adequate distribution of small business lending in low-income census tracts.

Also, 11.20% of these loans were made to businesses in moderate-income tracts, which exceeds the total of 9.70% of businesses in moderate-income census tracts. This reflects an excellent distribution of small business lending in moderate-income census tracts.

Lending in middle-income census tracts accounted for 54.10% and 32.80% of the bank's small business lending, compared to the percentage of businesses in middle- and upper-income tracts at 43.80% for each.

Home Equity Loans

The percentage of total households by income categories is used as a proxy to estimate the demand for consumer lending within such census tracts. In this assessment area, the smallest majority of households (1.60%) are located in low-income census tracts and 16.32% of households are located in moderate-income census tracts. The largest majority of households (46.98%) are located in middle-income census tracts and 35.11% of households are located in upper-income census tracts.

A review of Buckeye's consumer lending revealed that the bank originated 64 home equity loans totaling approximately \$5.9 million inside the assessment area during the evaluation period. No home equity loans were made in the low-income census tracts; however, taking into account that only 1.75% of the assessment area's housing units or only 1.6% of households are located in this geography, lending in low-income geographies was given less weight than lending in moderate-income geographies in evaluating the bank's performance.

There were six (9.40%) loans originated by volume and 5.10% by dollar amount in moderate-income geographies containing 16.32% of households in this geography. This represents an adequate level of lending in moderate-income census tracts.

Buckeye's extension of credit shows that 59.40% of its loans were originated in the middle-income tracts and 31.30% were in upper-income tracts, compared to the percentage of households in middle- and upper-income geographies at 46.98% and 35.11%, respectively.

Borrower Distribution of Lending

Small business and home equity lending data was analyzed in conjunction with the review of the demographic and economic characteristics of the assessment area to determine the extent of lending to borrowers of different income categories and to businesses of different revenue sizes. The percentage of low- and moderate-income households in the assessment area is used as a proxy to estimate demand for consumer lending. The percentage of the households below poverty in this assessment area is 7.07%. This analysis revealed a reasonable penetration among borrowers of different income levels and a reasonable distribution of lending to businesses of different revenue sizes.

Lending to Businesses with Different Revenues Sizes

Small Business Loans

An analysis of small business lending data was conducted to ascertain the extent of lending to businesses of different sizes, including small businesses. Of the 329 small business loans originated by the bank, 178 (54.10%), were originated to businesses with less than \$1 million in revenue, compared to 88.50% of small businesses in the assessment area. Based on this analysis, the bank's lending to small business is considered adequate.

A further analysis of small business lending shows that 60.70% of the bank's small business loans extended in an amount of \$100,000 or less. Since smaller size loans are generally commensurate with the borrowing needs of smaller businesses, Buckeye's lending activity demonstrates that the bank is meeting the credit needs of such businesses.

Lending to Borrowers of Different Income Levels

Home Equity Loans

Buckeye originated no home equity loans to low-income borrowers, which was less than the percentage of low-income households at 18.19%. However, considering the low owner-occupancy rate of 0.7%, higher unemployment in the area, and poverty rates, lending to low-income borrowers was given less weight than lending to moderate-income borrowers in evaluating the bank's performance.

The bank originated seven (10.90%) of its home equity loans to moderate-income households, which is less than the percentage of moderate-income households at 15.13%. The distribution of home equity loans to moderate-income borrowers is considered adequate.

Buckeye originated 21.90% and 64.10% of its home equity loans to middle- and upper-income borrower, respectively, compared to the percentage of middle- and upper-income households at 19.17% and 47.50%, respectively. The borrower's income was not available for 2 (3.10%) of the home equity loans made in this assessment area.

Community Contacts

A community contact interview was conducted in Lorain County to discuss small businesses in the county. The community contact emphasized the need for small businesses to be able to obtain small loans (under \$100,000) from banks.

Response to Consumer Complaints

There were no CRA-related complaints filed against Buckeye since the previous CRA examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs were identified.

CRA APPENDIX A

ASSESSMENT AREA MAP

Buckeye Community Bank
Assessment Area: MSA 17460

