



PUBLIC DISCLOSURE

April 1, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Consumers National Bank
Charter Number 15543

614 East Lincoln Way, Minerva, OH 44657

Office of the Comptroller of the Currency
Cleveland Field Office, 200 Public Square, Suite 1610
Cleveland, OH 44114-2301

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.

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors supporting the institution's rating are:

- A substantial majority of Consumers National Bank's (CNB's) loans are within the bank's assessment areas (AAs).
- The loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance.
- The overall geographic distribution of residential real estate loans reflects reasonable dispersion and meets the standard for satisfactory performance.
- The distribution of loans to borrowers of different incomes reflects reasonable penetration.
- The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs.

Scope of Examination

The evaluation period for this examination is August 7, 2007 through April 1, 2013. For lending analysis purposes, we used Home Mortgage Disclosure Act (HMDA) data from 2010 and 2011. Community development loans, investments, and services from the entire evaluation period were considered. We performed two community contacts to better identify community characteristics and needs.

Intermediate Small Bank examination procedures were used to evaluate the bank's performance within the bank's two AAs. In arriving at our conclusions, we gave primary consideration to the Canton-Massillon AA. This AA is where the bank primarily operates its branch network and contains the majority of the bank's deposits and loans. We gave less weight to the Columbiana County AA, as it represents a small portion of the bank's deposits and lending activity.

CNB opened two new offices in the third quarter of 2012 and expanded its AAs to include all of Stark and Columbiana counties. However, for purposes of this evaluation, we used the AAs in place prior to the expansions as the adjustments occurred late in the evaluation period.

The bank's primary-lending product during the evaluation period was one-to-four family residential loans, including those made to commercial borrowers.

Description of Institution

CNB is an intrastate community bank headquartered in Minerva, Ohio. CNB is a wholly-owned subsidiary of Consumers Bancorp, Incorporated, a \$355 million holding company also located in Minerva, Ohio. As of December 31, 2012, CNB reported total assets of \$345 million.

CNB is a full-service lender offering various loan and deposit products. CNB offers conventional home mortgage, improvement, and refinance loans. The bank also offers a full range of business loans, including loans secured by residential properties that are reported for HMDA purposes. As of December 31, 2012, net loans represent 58 percent of total assets and consist primarily of real estate loans.

The bank operates in three Northeast Ohio counties. There are six full-service branches in Stark County, three in Carroll County, and three in Columbiana County. All of CNB's full-service branches offer drive-up facilities and automated teller machines (ATMs). As mentioned above, CNB opened full-service branch offices in Hartville and Canton (Jackson-Belden), Ohio. CNB did not close any offices during the evaluation period.

The bank's most recent CRA Public Evaluation was dated August 7, 2007. The performance was rated Satisfactory.

Description of Assessment Areas

CNB has two AAs as described below.

Canton-Massillon AA

The Canton-Massillon AA is comprised of Carroll County and a portion of Stark County. It is within the Canton-Massillon metropolitan statistical area (MSA). The AA consists of 59 census-tracts, including three low-income geographies (5.08 percent), 13 moderate-income geographies (22.03 percent), 37 middle-income geographies (62.71 percent), and six upper-income geographies (10.17 percent). This is the bank's primary AA, as the bank originated 67 percent of deposits and 51 percent of loans in this AA during the evaluation period.

The Housing and Urban Development (HUD) 2011 adjusted median family income in the AA is \$58,100. The 2000 U.S. census reflected the AA's population to be 270,863 persons, with 73,043 families. Of these families, 19.75 percent in the AA are low income, 20.42 percent are moderate-income, 24.77 percent are middle-income, and 35.05 percent are upper-income. Approximately 10.83 percent of the households are below poverty level. Sixty-six percent of housing units are owner-occupied, with 26.69

percent renter-occupied. The housing units are primarily one-to-four family with a median housing value of \$92,974.

The unemployment rates for Stark and Carroll Counties as of December 31, 2012 were 6.7 percent and 7.4 percent, respectively. These rates were generally higher than the State of Ohio's average unemployment rate of 6.7 percent and lower than the national average of 7.8 percent. During the evaluation period, local unemployment levels steadily increased from 5.7 percent and 5.8 percent. Historically, the local economy has centered on manufacturing, education and medical services, and retail businesses. Major employers in Stark County include Timken Company, Hoover Company, Diebold Incorporated, Mercy Medical Center, and AK Steel Holding. Canton is the largest city in Stark County followed by Massillon. Major employers in Carroll County include Atwood Lake Resort and Conference Center, Colfor Manufacturing, St. John's Villa, and GBS Filing Systems. Carrollton is the largest city in Carroll County followed by Malvern.

Community needs include housing for low-moderate income individuals. Housing expenses increased. Oil and gas drilling employees have located into the area, which has caused an increase in rental rates and less access to housing for low- and moderate-income individuals. There are several projects in the primary stages to develop low-moderate income housing.

Columbiana County AA

The Columbiana County AA is not within a MSA. It consists of an 18-tract portion of Columbiana County and two tracts in Tuscarawas County. Within the AA, there are 18 middle-income census tracts (90 percent of census tracts) and two upper-income census tracts (10 percent of census tracts). No low- or moderate-income census tracts are located in this AA.

The unemployment rate as of December 31, 2012 for Columbiana County was 7.6 percent, which was higher than the State of Ohio unemployment rate of 6.7 percent and slightly lower than the national unemployment rate of 7.8 percent. During the evaluation period, unemployment trends increased from 6.5 percent in 2006 to 7.6 percent in 2012. Historically, the Columbiana County economy is manufacturing oriented, but also includes education, medical, retail, and state and local government. Factory closings and relocations contributed to the rise in unemployment during the evaluation period. Largest employers include East Liverpool City Hospital, Fresh Mark, Incorporated/Carriage Hill Foods, Hall China Company, Salem Community Hospital, Wal-Mart Stores, US Industries, and Butech-Bliss. The major cities within this AA are Salem, Lisbon, and Columbiana. The oil and gas drilling industry has had a significant impact on the local economy. A processing plant is being built in Columbiana County that is expected to have a significant positive impact on unemployment.

The HUD 2011 adjusted median family income in the AA is \$52,900. According to the 2000 U.S. census, the AA population was 102,440 persons with 28,417 families. Of these families, 17.33 percent are low-income, 20.68 are moderate-income, 25.17

percent are middle-income, and 36.82 percent are upper-income. Approximately 8.87 percent of the households are below poverty level. Seventy-three percent of housing units are owner-occupied and 19.79 percent are renter-occupied. The housing units are primarily one-to-four family, with a median housing value of \$85,783. Eleven percent of families live below the poverty level.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's lending test is rated satisfactory. CNB has a reasonable LTD ratio and originated a substantial majority of loans within the AA. The borrower distribution of loans reflects reasonable penetration among borrowers of different incomes. The geographic distribution of residential real estate loans reflects reasonable dispersion in the AA.

Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable and meets the standard for satisfactory performance. The average LTD ratio during the 24 quarters from March 30, 2007 through December 31, 2012 was 76.10 percent. The maximum LTD ratio during the evaluation period was 82.56 percent. The minimum was 67.77 percent. The LTD ratio has declined as deposits have increased. The bank has experienced an influx of deposits and loan pay-downs from customers receiving oil and gas drilling contracts in the area.

We compared the bank's average LTD ratio to the average LTD ratio of 15 peer banks and found CNB's ratio to be slightly below the average of the peer. The average LTD ratio of the peer banks during the same evaluation period is 82.31 percent.

Lending in Assessment Area

CNB's record of lending within the AAs is excellent and exceeds the standard for satisfactory performance.

A substantial majority of the bank's residential real estate loans are originated within its AAs. This is based on all CNB HMDA lending during 2010 and 2011. Table 1 reflects that 90.50 percent of the number of loans and 91.61 percent of loan dollars were originated within the bank's AAs.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	54	88.52	7	11.48	61	6,219	93.18	455	6.82	6,674
Other Home Loans	127	91.37	12	8.63	139	9,271	90.58	964	9.42	10,235
Totals	181	90.50	19	9.50	200	15,490	91.61	1,419	8.39	16,909

Source: 2010 and 2011 CNB HMDA data

Lending to Borrowers of Different Incomes

The distribution of loans reflects reasonable penetration among borrowers of different incomes. Below is an analysis for residential real estate loans in the bank's AAs.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Areas** section for demographic information, including poverty rates.

Canton-Massillon AA

The borrower distribution of residential real estate lending reflects reasonable penetration among borrowers of different income levels in the Canton-Massillon AA. During the evaluation period, CNB originated 41 home purchase loans, 55 home improvement loans, and 43 home refinance loans in this AA. Based on loan volume, more weight is placed on home improvement lending. Refer to Table 2a.

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. While the percentage of home purchase loans to low-income borrowers is well below the percentage of low-income families in the area, consideration is given to the impact that the area's poverty level has on the opportunities to lend to the low-income segment of the community. While the percentage of loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA, performance is considered reasonable.

The distribution of home improvement loans reflects excellent penetration. While the percentage of home purchase loans to low-income borrowers is slightly below the percentage of low-income families in the area, consideration is given to the impact that the area's poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The distribution of home refinance loans reflects reasonable penetration. While the percentage of home refinance loans to low-income borrowers is below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.75	12.20	20.42	14.63	24.77	21.95	35.05	39.02
Home Improvement	19.75	18.18	20.42	21.82	24.77	36.36	35.05	18.18
Refinancing	19.75	13.95	20.42	20.93	24.77	25.58	35.05	23.26

Source: 2000 census data and 2010 and 2011 CNB HMDA data

Columbiana County AA

The borrower distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels in the Columbiana County Non-MSA AA. During the evaluation period, CNB originated 13 home purchase loans, 14 home improvement loans, and 15 home refinance loans in this AA. When drawing conclusions, each loan type received equal weight. Refer to Table 2b below.

The distribution of home purchase loans reflects poor penetration among borrowers of different income levels. The percentage of home purchase loans to low-income borrowers is well below the percentage of low-income families in the area even when considering the impact that the area’s poverty level on opportunities to lend to the low-income segment of the community. The percentage of loans to moderate-income borrowers is also well below the demographic.

The distribution of home improvement loans reflects excellent penetration. The percentages of loans to low-income borrowers and moderate-income borrowers exceed the corresponding percentages of families located in these segments of the AA.

The distribution of home refinance loans represents reasonable penetration. While the percentage of home refinance loans to low-income borrowers is below the percentage of low-income families in the area, consideration is given to the impact that the area’s poverty level has on the opportunities to lend to the low-income segment of the community. The percentage of loans to moderate-income borrowers is well below the percentage of moderate-income families in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.33	7.69	20.68	7.69	25.17	23.08	36.82	53.85
Home Improvement	17.33	35.71	20.68	21.43	25.17	28.57	36.82	7.14
Refinancing	17.33	13.33	20.68	13.33	25.17	20.00	36.82	40.00

Source: 2000 census data, and 2010 and 2011 CNB HMDA data

Geographic Distribution of Loans

The bank's geographic distribution of residential real estate loans reflects a reasonable dispersion of loans throughout the AAs. Performance is adequate. Since there are no low-income or moderate-income geographies within Columbiana County AA, a geographic distribution analysis of performance in that AA would not be meaningful. Therefore, our geographic distribution conclusions are based on performance within the Canton-Massillon AA.

Canton- Massillon AA

The geographic distribution of loans in the Canton-Massillon AA is reasonable overall. In our analysis, we considered the impact of high competition, decline in the local economy, and influx of deposits and loan pay downs from customers receiving oil and gas drilling and royalty payments.

While the bank made no home purchase, home improvement, and home refinance loans in low-income segments of the community, the opportunity to lend in that segment of the AA is limited. Only 1.39 percent of the area's owner-occupied housing units are located in low-income census tracts

The percentages of the bank's home purchase, home improvement, and home refinance loans made in moderate-income areas are lower than the percentage of the AA's owner-occupied housing units located in those parts of the AA. Refer to Table 3 below. However, we noted that the percentages of home purchase and home refinance loans generated by CNB exceeded the percentages of moderate-income loans made by all lenders as a whole during 2011. In aggregate, 6.60 percent of home purchase loans made by all lenders were in moderate-income areas, and 5.36 percent of home refinance loans made by all lenders in moderate-income areas. For home improvement loans, the percentage of loans in moderate-income areas by CNB was somewhat lower than the percentage experienced by all lenders in the aggregate.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Canton-Massillon AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.39	0.00	16.71	9.76	67.39	87.80	14.51	2.44
Home Improvement	1.39	0.00	16.71	9.09	67.39	89.09	14.51	1.82
Refinancing	1.39	0.00	16.71	6.98	67.39	93.02	14.51	0.00

Source: 2000 census data, and 2010 and 2011 CNB HMDA data

Responses to Complaints

There have been no consumer complaints relating to the bank's CRA performance during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's responsiveness to community development (CD) needs of the AAs through CD lending, investments, and services is excellent.

Number and Amount of Community Development Loans

Canton-Massillon AA

Since August 7, 2007, CNB originated five CD loans totaling \$5.5 million. The loans were made to agencies whose primary objectives were support services for low-to-moderate income individuals and families.

Columbiana County AA

Since August 7, 2007, CNB originated three CD loans totaling \$1.4 million. The loans were made to agencies whose primary objectives were support services for low-to-moderate income individuals and families.

Number and Amount of Qualified Investments

Canton-Massillon AA

Since August 7, 2007, CNB donated in excess of \$41 thousand to agencies whose primary objectives were support services for low-to-moderate income individuals and families.

Columbiana County AA

Since August 7, 2007, CNB donated in excess of \$13 thousand to agencies whose primary objectives were support services for low-to-moderate income individuals and families.

Extent to Which the Bank Provides Community Development Services

Canton-Massillon AA

CNB operates six full-service branches in Stark and Carroll Counties. All of CNB's full-service branches offer drive-up facilities and ATMs.

CNBs branch network provides full-service to the entire community. While no branches are in low-or moderate-income census tracts, they are in relative close proximity to allow serving low- and moderate-income segments of the community. Since the previous evaluation, CNB opened full-service branch offices in Hartville and Jackson-Belden, respectively. In addition to full-service branches and ATM locations, CNB offers on-line banking, providing access to consumer and business accounts. Consumers can access accounts, check balances, view statements and cancelled checks, and transfer funds between accounts. Customers also have the option of using mobile banking to transact business. Business customers can also make loan payments and ACH or wire transfer requests.

Bank management and employees participate on the boards of several local organizations, and have participated in various charity events. The organizations are primarily responsible for providing services to low- and moderate-income families and individuals. For example, members of bank management are on the boards of several housing agencies primarily responsible for low-moderate income housing. Management also donates a significant amount of time to school and community programs primarily targeting low- and moderate-income students.

Columbiana County AA

CNB operates three branches in full-service branches in Columbiana County, with each branch offering drive-up facilities and ATMs. While there are no low-to-moderate income census tracts within the area, the branch network serves the regions low- and moderate-income population. Services geared toward low-to-moderate income families include, free checking accounts to all its customers that include the following features: unlimited check writing, direct deposit options, no minimum monthly balance, free bill pay, and check safekeeping.

In addition to full-service branches and ATM locations, CNB offers on-line banking to provide customer access to consumer and business accounts. Consumers can access accounts, check balances, view statements and cancelled checks, and transfer funds between accounts. Customers also have the option of using mobile banking to transact

business. Business customers can make loan payments, ACH and wire transfer requests, and link corporate entities to a parent organization.

CNB management and employees participate on the Boards of several local organizations and have participated in various charity events. The organizations are primarily responsible for providing services to low- and moderate-income families and individuals. For example, members of bank management sit on the boards of several housing agencies primarily responsible for low- and moderate-income housing. Management also donates a significant amount of time to school and community programs primarily targeting low-and moderate-income students.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.