



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

August 5, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

County National Bank
Charter Number 14062
One South Howell St.
Hillsdale, MI 49242

Office of the Comptroller of the Currency
Northern Ohio 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, and should not 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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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The institution's average Loan-to-Deposit (LTD) ratio is more than reasonable.
- The institution has originated or purchased a majority of its home mortgage and small business loans in the assessment areas (AA).
- The institution's distribution of home mortgage loans and small businesses loans to borrowers of different income levels is reasonable and meets the standard for satisfactory performance.
- The institution's geographic distribution of home mortgage loans and small loans to businesses is reasonable and meets the standard for satisfactory performance.
- The institution's community development (CD) performance reflects adequate responsiveness to the needs in the AAs through qualified loans, investments, and services.

Loan-to-Deposit Ratio

Considering County National Bank's (CNB or bank) size and financial condition, and the credit needs of the AAs, the bank's average LTD ratio is more than reasonable. During the twelve quarters beginning on January 1, 2016, and ending on December 31, 2018, the bank's average quarterly LTD ratio was 96.75 percent, and ranged from a low of 94.32 percent to a high of 98.59 percent. The bank's average LTD ratio was comparable to other similarly situated institutions in southern Michigan. Over the same time period, similarly situated institution had average quarterly LTD ratios ranging from a low of 85.72 percent to a high of 95.02 percent.

Lending in Assessment Area

CNB originates a majority of its loans within its AAs. As shown in the following table, between January 1, 2016, and December 31, 2018, the bank originated or purchased 89.6 percent by number and 85.5 percent by dollar amount of its home mortgage loans and small loans to businesses inside the bank's AAs. The bank's level of lending within its AAs allowed for meaningful analysis of its distribution of loans by income level of the borrower and geography.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	498	86.9	75	13.1	573	67,380	81.2	15,578	18.8	82,958
2017-2018	754	89.8	86	10.2	840	104,354	85.3	17,974	14.7	122,328
Subtotal	1252	88.6	161	11.4	1413	171,734	83.7	33,552	16.3	205,286
Small Business										
2016	73	97.3	2	2.7	75	12,514	98.3	222	1.7	12,736
2017-2018	143	95.3	7	4.7	150	19,396	96.8	634	3.2	20,030
Subtotal	216	96.0	9	4.0	225	31,910	97.4	856	2.6	32,766
Total	1468	89.6	170	10.4	1638	203,644	85.5	34,408	14.5	238,052

Source: Evaluation Period: 1/1/2016 – 12/31/2018 bank and HMDA data. Due to rounding, totals may not equal 100.0

Description of Institution

CNB is a full-service intrastate community bank headquartered in Hillsdale, Michigan. The bank is a wholly-owned subsidiary of CNB Community Bancorp Inc., a one-bank holding company also headquartered in Hillsdale, Michigan. The bank's operations are focused in south-central Michigan, in Hillsdale, Jackson, Lenawee, and Calhoun counties. The bank operates 12 full-service branches, one stand-alone drive-through branch, and a loan production office. During the evaluation period, the bank re-located a full-service branch in Jackson, Michigan, to a new location less than a quarter of a mile from its previous location. The bank now operates the prior branch location as a loan production office. The bank also opened a new branch in Adrian, Michigan on July 5, 2016.

As of December 31, 2018, CNB had \$661.8 million in total assets and \$61.7 million in Tier 1 capital, with a loan portfolio totaling \$574.6 million. The bank offers a range of loan products, with a focus on small business lending and home mortgage lending.

CNB has three AAs, all of which are located in the state of Michigan. The Hillsdale-Lenawee AA, which consists of Hillsdale and Lenawee Counties, is located in a non-Metropolitan Statistical Area (MSA). The Jackson AA consists of Jackson County, which is the entirety of the Jackson MSA. The Calhoun AA consists of two contiguous census tracts (CTs) located in Calhoun County, which is part of the Battle Creek MSA. Between January 1, 2016, and December 31, 2018, the bank ranked third in the combined AAs for deposit market share. Based on the Federal Deposit Insurance Corporation (FDIC) Market Share reports from June 30, 2016, and June 30, 2018, the bank's deposits and market share increased from \$479.2 million and 11.5 percent to \$570.5 million and 12.7 percent, respectively.

The banking environment in CNB's market is competitive. Based on the June 30, 2018, FDIC Deposit Market Share report, there were 21 insured financial institutions operating 96 branches in the market, including nine large regional and nationwide banks along with a number of community banks. The report does not include credit unions and non-bank financial institutions operating in the market. During our performance evaluation, we considered information from two community contacts operating in the Hillsdale-Lenawee and Jackson AAs to help assess the credit and CD needs of the bank's AAs, and determine whether CD opportunities exist for the bank to participate in to help meet the credit and CD needs of the AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation covers the period from January 1, 2016, through December 31, 2018 (evaluation period). In conducting our review, we used Intermediate Small Bank Community Reinvestment Act (CRA) examination procedures. These procedures evaluate CNB's performance based upon a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities. The CD Test evaluates the bank's responsiveness to meeting CD needs of its AAs through qualified CD lending, investments and donations, and services.

We based our lending conclusion on an analysis of CNB's Home Mortgage Disclosure Act (HMDA) data and a statistical sample of 225 small loans to businesses that the bank originated or purchased during the evaluation period. For the Lending Test, we performed a separate analysis of 2016 data from 2017 and 2018 data. This was due to changes instituted by the Federal Financial Institutions Examination Council (FFIEC), which utilized American Community Survey (ACS) data for FFIEC-published data in 2017. The change became effective as of January 1, 2017. The change to ACS data resulted in updated demographic information related to population and housing, and changes in income designations for some CTs. The 2017 and 2018 analysis period will receive more weight than the 2016 period, as this period included more of the bank's lending activity. Small loans to businesses and home mortgage loans are the bank's primary loan products. We gave equal consideration to each of these products to arrive at our conclusions. For the CD test, we evaluated the bank's qualified CD lending, investments and donations, and services during the evaluation period. In our performance evaluation, we utilized census data, bank loan information, governmental websites, and internal bank reports. We also considered information obtained from community contacts in the bank's AAs in order to help assess the community's banking needs, and opportunities for financial institutions to lend and provide services within the AAs.

Selection of Areas for Full-Scope Review

We performed full-scope reviews of the Hillsdale-Lenawee and Jackson AAs and a limited-scope review of the Calhoun AA. Please refer to *Appendix A* for more information on these AAs.

Ratings

CNB's overall rating is based on its performance in the state of Michigan, which is based on our full-scope reviews of the Hillsdale-Lenawee and Jackson AAs, and limited-scope review of the Calhoun AA. As previously mentioned, we gave equal weight to the bank's home mortgage lending and small loans to businesses lending, as both activities are part of the bank's lending focus.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Michigan

CRA rating for the State of Michigan: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- CNB's geographic distribution of home mortgage loans and small loans to businesses throughout the AAs is reasonable
- The bank's record of lending to borrowers of different income levels and businesses of different sizes is reasonable.
- The bank demonstrated adequate responsiveness to the CD lending, investment, and service needs of the AAs.

Description of Institution's Operations in Michigan

CNB offers a range of deposit and loan products. Deposit products includes personal and business checking accounts, savings accounts, money market accounts, certificates of deposits, individual retirement accounts, and health savings accounts. The bank also offers mobile, telephone, and internet banking options, remote deposit capture, ATM/Master Money Card, and notary services. Loan products include home mortgage loans, home equity lines of credit, various consumer installment loans, commercial real estate loans, commercial and industrial loans, and other business loans.

CNB's primary lending focus includes home mortgage loans and business loans. As of December 31, 2018, 32.7 percent of the bank's loan portfolio was 1-4 family home mortgage loans, 32.3 percent was commercial real estate loans, 20.0 percent was commercial and industrial loans, 4.8 percent was consumer installment loans, 3.6 percent was construction loans, 3.4 percent was farm and farmland loans, 3.1 percent was multi-family residential loans at 3.1 percent, and less than 1 percent was other loans. The bank does not have any financial, legal, or other impediments restricting its capacity to serve its community. The bank received a Satisfactory rating in its last CRA performance evaluation, dated August 8, 2016.

CNB has three delineated AAs in Michigan, which include the Hillsdale-Lenawee, Jackson, and Calhoun AAs. All three AAs are located in the south-central part of Michigan, and the AAs are contiguous.

Hillsdale-Lenawee AA

During the evaluation period, CNB operated seven branch offices in the Hillsdale-Lenawee AA, including the branch in Adrian, Michigan that was opened on July 5, 2016. The seven offices included six full-service branches and one stand-alone drive-through branch. Five of the branch offices, including the main office and the stand-alone drive-through branch, are located in Hillsdale County. The other two branch offices in the AA are located in Lenawee County. All branch locations in the AA feature deposit-taking drive-up ATMs, except the drive-through only location. The bank also maintains five stand-alone ATMs

in the AA. In the city of Hillsdale, there are three cash dispensing only ATMs and one deposit taking ATM. In the city of Pittsford, there is one deposit taking ATM. The bank did not close any branches in the AA during the evaluation period.

The Hillsdale-Lenawee AA is the bank's primary market and includes 35 CTs. During the evaluation period, the AA did not have any low-income CTs. However, the income designation of some CTs changed due to the move from 2010 U.S. Census data to 2015 ACS data. Based on 2010 U.S. Census data, the AA contained three moderate-income, 23 middle-income, and nine upper-income CTs. Based on 2015 ACS data, the number of moderate-income CTs increased to five, the number of middle-income CTs increased to 24, and the number of upper-income CTs declined to six. Based on 2010 U.S. Census data, one of the moderate-income CTs was located in Hillsdale County and two were in Lenawee County. Based on 2015 ACS data, there was only one moderate-income CT in Hillsdale County (in the city of Hillsdale), and four in Lenawee County (with two additional moderate-income CTs identified around the city of Adrian). The largest city in Hillsdale County is the city of Hillsdale, with a population of approximately 8,278, and the largest city in Lenawee County is Adrian, with a population of approximately 20,619.

Based on the June 30, 2018, FDIC Deposit Market Share report, CNB ranked second in deposits in the AA with a 19.15 percent deposit market share. The bank had \$296.8 million in deposits within the AA, which represented 52 percent of the bank's total deposits. Competition within the AA is strong. The June 30, 2018, FDIC Deposit Market Share report, also showed that there are 13 insured institutions within the AA in addition to CNB. Competitors in the AA include large regional and nationwide banks such as Old National Bank, KeyBank, and Huntington National Bank. Old National Bank is ranked first in deposits with a 20.29 percent deposit market share, with First Federal Bank of the Midwest, KeyBank, and Huntington ranking third through fifth in deposit market share, respectively. Furthermore, multiple credit unions and non-financial institutions operate within the AA. Based on 2016 and 2017 home mortgage aggregate data, there were 224 and 236 financial institutions that originated or purchased home mortgage loans in the AA, respectively. Furthermore, based on 2016 and 2017 small loans to businesses aggregate data, there were 57 and 55 financial institutions that reported originating or purchasing small loans to businesses in the AA, respectively. These figures do not include non-reporting financial institutions.

The economy of the Hillsdale-Lenawee AA remained relatively stable during the evaluation period. The unemployment rates in both Hillsdale and Lenawee Counties remained slightly lower than the overall rate in the state of Michigan. Both Hillsdale and Lenawee County had 3.9 percent unemployment rates as of December 31, 2018 compared to the state rate of 4 percent. Furthermore, the AA's 11 percent poverty rate for 2018 was lower than the 14.2 percent rate for the state overall. Prominent industries in the AA include automotive manufacturing, education, and healthcare services. Major employers include Hillsdale College, Siena Heights University, Kirchoff Automotive, and Hillsdale Hospital.

Jackson AA

During the evaluation period, CNB operated five branches in the Jackson AA, with three branches located in the city of Jackson, one in the city of Hanover, and one in the city of Spring Arbor. The bank has one branch in a low-income CT and one in a moderate-income CT (both in the city of Jackson). The city of Jackson is centrally located in the AA, providing adequate access to bank branches for its residents. The bank did not open or close any branches during the evaluation period in the Jackson AA, but it relocated a branch in the city of Jackson from West Cortland Street to South Jackson Street, less than 1000 feet away. The bank also opened a loan production office in the building on West Cortland Street. All branch locations offer full-service drive-through services and deposit taking ATMs. The bank also maintains a stand-alone cash dispensing only ATM in Brooklyn, Michigan.

The Jackson AA includes 38 CTs encompassing all of Jackson County and the entire Jackson MSA. The 2010 U.S. Census data shows that the Jackson AA had seven low-income and five moderate-income CTs. However, based on the 2015 ACS data, the number of low-income CTs declined to six, and the number of moderate-income CTs increased to nine. The city of Jackson and Blackman Township have the highest populations in the AA, with approximately 32,875 and 23,660 persons respectively.

Based on the June 30, 2018 FDIC Deposit Market Share report, the bank ranked fourth in deposits with a 13.69 percent deposit market share. The bank had \$245.5 million in deposits within the assessment area, which represented 43 percent of the bank's total deposits. The Jackson AA has strong competition. The June 30, 2018, FDIC Deposit Market Share report also showed that there are 11 other institutions with 34 offices operating within the AA, including large regional and nationwide banks such as Flagstar, Comerica, and Huntington National Bank. Flagstar ranked first in deposits, with a 33.56 percent deposit market share. Comerica, Huntington, and Fifth Third ranked second, third, and fifth in deposit market share respectively. Furthermore, multiple credit unions and non-bank financial institutions operate in the area, including four credit unions whose main offices are located in the Jackson AA. Based on 2016 and 2017 home mortgage aggregate data, there were 236 and 240 financial institutions that originated or purchased home mortgage loans in the AA, respectively. Based on 2016 and 2017 small loans to businesses aggregate data, there were 51 and 52 financial institutions that reported originating or purchasing small loans to businesses in the AA, respectively. These figures do not include non-reporting financial institutions.

The economy in the Jackson AA improved during the evaluation period. The unemployment rate declined from 4.5 percent in 2016 to 3.8 percent in 2018, slightly below statewide rates of 5.0 and 4.0 percent during the same periods. However, the 56.9 percent labor force participation rate in the AA was below the 61.2 percent rate for the state. Furthermore, while the median family income in the AA for 2018 was \$56,314, compared to \$54,909 in Michigan as a whole, the poverty rate in the AA increased from 11.0 percent to 12.9 percent during the evaluation period and low- and moderate-income households increased from 39.6 percent to 40.6 percent of total households. Significant industries in the AA include manufacturing, health care, and retail trade. Major employers in the AA include Henry Ford Allegiance Health, Consumers Energy Corporation, and the Michigan Department of Corrections.

Calhoun AA

During the evaluation period, CNB operated one branch in the Calhoun AA. The branch is located in Homer, which is in the southeastern corner of the Calhoun County. The June 30, 2018, FDIC Market Share report shows CNB ranks 11th out of 12 banks operating in Calhoun County, with \$28.1 million deposits, or 4.9 percent of the bank's total deposits. The Calhoun AA is not a significant market for the bank.

In assessing CNB's performance, we considered information from members of the community to identify the CD and credit needs of the AAs receiving full-scope reviews. We used information obtained from two community contacts, which focus on providing social services. The contacts noted CD opportunities in which the bank could participate throughout the AAs. Both of the contacts noted the need for an increase in options for affordable housing. In particular, one of the contacts stated the community needs more multi-unit housing. The contacts also mentioned the need for an increase in public transportation, job training and vocational programs, and assistance with the cost of health care.

Hillsdale-Lenawee AA

Demographic Information of the Assessment Area						
Assessment Area: CNB 2016 Hillsdale and Lenawee AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	35	0.0	8.6	65.7	25.7	0.0
Population by Geography	146,580	0.0	8.1	57.7	34.2	0.0
Housing Units by Geography	65,097	0.0	8.0	60.7	31.3	0.0
Owner-Occupied Units by Geography	44,541	0.0	6.6	57.5	35.9	0.0
Occupied Rental Units by Geography	10,796	0.0	13.0	65.9	21.1	0.0
Vacant Units by Geography	9,760	0.0	8.6	69.6	21.8	0.0
Businesses by Geography	6,803	0.0	6.7	62.1	31.3	0.0
Farms by Geography	808	0.0	4.1	64.7	31.2	0.0
Family Distribution by Income Level	39,084	16.2	17.1	21.6	45.2	0.0
Household Distribution by Income Level	55,337	19.3	14.8	19.7	46.2	0.0
Median Family Income Non-MSAs - MI		\$51,187	Median Housing Value			\$129,486
			Median Gross Rent			\$645
			Families Below Poverty Level			9.8%

Source: 2010 U.S. Census and 2016 D&B data. Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.

Demographic Information of the Assessment Area						
Assessment Area: CNB 2017 & 2018 Hillsdale and Lenawee AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	35	0.0	14.3	68.6	17.1	0.0
Population by Geography	145,080	0.0	13.8	64.6	21.6	0.0
Housing Units by Geography	65,079	0.0	13.3	67.5	19.3	0.0
Owner-Occupied Units by Geography	42,939	0.0	8.6	68.6	22.8	0.0
Occupied Rental Units by Geography	12,835	0.0	31.2	54.4	14.4	0.0
Vacant Units by Geography	9,305	0.0	10.1	80.0	10.0	0.0
Businesses by Geography	6,745	0.0	17.4	63.4	19.2	0.0
Farms by Geography	766	0.0	2.1	75.8	22.1	0.0
Family Distribution by Income Level	37,217	17.8	17.9	21.3	43.0	0.0
Household Distribution by Income Level	55,774	20.9	16.3	18.6	44.2	0.0
Median Family Income Non-MSAs - MI		\$53,542	Median Housing Value			\$109,719
			Median Gross Rent			\$711
			Families Below Poverty Level			11.0%

Source: 2015 ACS and 2018 D&B data. Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.

Jackson AA

Demographic Information of the Assessment Area						
Assessment Area: CNB - 2016 Jackson AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	18.4	13.2	42.1	23.7	2.6
Population by Geography	160,248	9.9	11.0	50.4	24.4	4.2
Housing Units by Geography	69,096	11.3	12.9	51.4	24.5	0.0
Owner-Occupied Units by Geography	46,049	6.4	10.0	54.7	28.9	0.0
Occupied Rental Units by Geography	14,563	25.7	20.1	41.5	12.7	0.0
Vacant Units by Geography	8,484	13.0	16.0	50.3	20.7	0.0
Businesses by Geography	7,389	15.7	15.5	44.8	23.9	0.1
Farms by Geography	412	1.9	4.4	60.4	33.3	0.0
Family Distribution by Income Level	41,508	20.7	18.3	21.3	39.7	0.0
Household Distribution by Income Level	60,612	23.8	15.8	19.0	41.5	0.0
Median Family Income MSA - 27100 Jackson, MI MSA		\$56,314	Median Housing Value			\$130,873
			Median Gross Rent			\$673
			Families Below Poverty Level			11.0%

Source: 2010 U.S. Census and 2016 D&B data. Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.

Demographic Information of the Assessment Area						
Assessment Area: CNB - 2017 & 2018 Jackson AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	15.8	23.7	36.8	21.1	2.6
Population by Geography	159,759	9.9	19.4	47.4	20.1	3.2
Housing Units by Geography	69,121	9.8	20.7	47.0	22.5	0.0
Owner-Occupied Units by Geography	43,555	5.7	15.6	53.7	25.0	0.0
Occupied Rental Units by Geography	17,036	18.9	32.2	34.9	14.0	0.0
Vacant Units by Geography	8,530	12.7	23.9	36.7	26.7	0.0
Businesses by Geography	7,284	10.4	29.1	40.1	20.2	0.3
Farms by Geography	396	1.3	11.1	61.4	26.3	0.0
Family Distribution by Income Level	39,930	22.3	17.5	20.2	40.0	0.0
Household Distribution by Income Level	60,591	24.6	16.0	17.0	42.4	0.0
Median Family Income MSA - 27100 Jackson, MI MSA		\$58,432	Median Housing Value			\$112,449
			Median Gross Rent			\$722
			Families Below Poverty Level			12.9%

Source: 2015 ACS and 2018 D&B data. Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.

Calhoun AA

Demographic Information of the Assessment Area						
Assessment Area: CNB 2016 Calhoun AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	50.0	50.0	0.0	0.0
Population by Geography	5,140	0.0	58.7	41.3	0.0	0.0
Housing Units by Geography	2,043	0.0	57.0	43.0	0.0	0.0
Owner-Occupied Units by Geography	1,452	0.0	56.2	43.8	0.0	0.0
Occupied Rental Units by Geography	414	0.0	64.7	35.3	0.0	0.0
Vacant Units by Geography	177	0.0	45.2	54.8	0.0	0.0
Businesses by Geography	219	0.0	65.3	34.7	0.0	0.0
Farms by Geography	50	0.0	44.0	56.0	0.0	0.0
Family Distribution by Income Level	1,358	27.4	22.2	20.8	29.6	0.0
Household Distribution by Income Level	1,866	20.2	21.2	20.4	38.3	0.0
Median Family Income MSA - 12980 Battle Creek, MI MSA		\$52,533	Median Housing Value			\$103,957
			Median Gross Rent			\$641
			Families Below Poverty Level			17.5%

Source: 2010 U.S. Census and 2016 D&B data. Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.

Demographic Information of the Assessment Area						
Assessment Area: CNB 2017 & 2018 Calhoun AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	0.0	100.0	0.0	0.0
Population by Geography	5,310	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	2,052	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	1,419	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	449	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	184	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	201	0.0	0.0	100.0	0.0	0.0
Farms by Geography	45	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,377	18.5	18.9	23.1	39.5	0.0
Household Distribution by Income Level	1,868	17.7	17.5	20.9	44.0	0.0
Median Family Income MSA - 12980 Battle Creek, MI MSA		\$53,315	Median Housing Value			\$104,894
			Median Gross Rent			\$631
			Families Below Poverty Level			10.7%

Source: 2015 ACS and 2018 D&B data. Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.

Scope of Evaluation in Michigan

As previously mentioned, we performed a full-scope review for the Hillsdale-Lenawee and Jackson AAs, and a limited-scope review on the Calhoun AA. We weighed CNB's performance in the two full-scope AAs equally, with little weight on the limited-scope AA. We considered the community profiles of the AAs in our analysis, including economic conditions and the level of competition for lending. We also considered the opportunities for the bank to participate in CD activities within each AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

LENDING TEST

CNB's performance under the Lending Test in Michigan is Satisfactory. Based on full- and limited-scope reviews, the bank's lending performance in the AAs is reasonable.

Distribution of Loans by Income Level of the Geography

CNB's geographic distribution of loans in the state of Michigan is reasonable.

Home Mortgage Loans

CNB's overall geographic distribution of home mortgage loans is reasonable.

Refer to Table O in the state of Michigan section of *Appendix D* for the facts and data used to evaluate the geographic distribution of CNB's home mortgage loan originations and purchases.

Hillsdale-Lenawee AA

CNB's geographic distribution of home mortgage loans throughout CTs of different income levels in the Hillsdale-Lenawee AA is reasonable.

During 2016, CNB's percentage of home mortgage loans originated or purchased in moderate-income CTs within the AA was near the percentage of the AA's owner-occupied housing units that were located in those CTs, and slightly higher than the percentage of aggregate home mortgage lending that occurred in those CTs. During 2017 and 2018, the bank's performance in moderate-income CTs was similar, with the bank's percentage of loans in moderate-income CTs near the percentage of the AA's owner-occupied housing units located in those CTs, and slightly higher than the percentage of aggregate lending that occurred in those CTs. The bank's ability to lend in moderate-income CTs was affected by factors such as competition and limited loan demand. Specifically, the level of competition throughout the evaluation period was high, with 224 lenders in 2016 and 236 lenders in 2017 originating or purchasing home mortgages in the AA. Furthermore, less than 10 percent of the total owner-occupied housing units in the AA were located in moderate-income CTs during the evaluation period.

Jackson AA

CNB's geographic distribution of home mortgage loans throughout CTs of different income levels in the Jackson AA is reasonable.

During 2016, CNB's percentage of home mortgage lending in low-income CTs was less than the percentage of the AA's owner-occupied housing units located in those CTs, but near the percentage of aggregate home mortgage lending that occurred in those CTs. The bank's percentage of home mortgage lending in moderate-income CTs was lower than both the percentage of the AA's owner-occupied units that was in those CTs, and the percentage of aggregate home mortgage lending that occurred in those CTs. However, the bank's performance improved during 2017 and 2018 when its percentage of home mortgage lending in low-income CTs was equal to the percentage of aggregate home mortgage lending that occurred in those CTs, and near the percentage of the AA's owner-occupied housing units in those CTs. The bank's percentage of home mortgage lending in moderate-income CTs was lower than the percentage of owner-occupied housing units in those CTs, but near the percentage of aggregate lending that occurred in those CTs. The bank's lower level of lending in low- and moderate-income CTs is largely due to a high level of competition within the AA, including from large regional and nationwide institutions including Flagstar, Comerica, and Huntington Banks. The AA also has a number of credit unions with a total of approximately 20 branches, and other non-bank mortgage lenders such as Quicken Loans and Mortgage 1, Incorporated.

Small Loans to Businesses

CNB's geographical distribution of small loans to businesses is reasonable. When drawing our conclusion, we gave more consideration to the 2017-2018 evaluation period.

Refer to Table Q in the state of Michigan section of *Appendix D* for the facts and data used to evaluate the geographic distribution of CNB's small loans to businesses. As described in the Scope of Evaluation section, we reviewed a statistical sample of 75 loans originated or purchased during each year of the evaluation period, for a total of 225 loans. Of the 225 loans, the number of loans reflected in each Table Q of *Appendix D* were small loans to businesses originated or purchased inside the bank's AAs.

Hillsdale-Lenawee AA

CNB's geographic distribution of small loans to businesses in the Hillsdale-Lenawee AA is reasonable.

During 2016, CNB only originate one of its 34 small loans to businesses in a moderate-income CT. As a result, its percentage of small loans to businesses was below both the percentage of the AA's businesses that are located in moderate-income CTs, and the percentage of aggregate lending that occurred in those CTs. During 2017 and 2018, the bank's percentage of small loans to business in moderate-income CTs improved to 11.67 percent, which was below the percentage of AA businesses in those CTs, but near the percentage of aggregate lending in those CTs. The fluctuation in the bank's lending performance can be attributed to the level of competition for small loans to businesses within the moderate-income CTs. The level of businesses located in moderate-income CTs is also limited, as most AA businesses are located in the middle- or upper-income CTs.

Jackson AA

CNB's geographic distribution of small loans to businesses in the Jackson AA is reasonable, considering the level of competition in the AA and the fact that a significant majority of AA businesses are located in middle- and upper-income CTs.

During 2016, CNB's percentage of small loans to businesses in low-income CTs was significantly below both the percentage of the AA's businesses that are located in low-income CTs, and the percentage of

aggregate lending that occurred in those CTs. However, the bank's percentage of small loans to businesses in moderate-income CTs was near the percentage of the AA's businesses that are located in moderate-income CTs, and the percentage of the aggregate that occurred in those CTs. Furthermore, the bank's performance improved in 2017 and 2018. Based on the 80 small loans to businesses originated or purchased by the bank during those years, its percentage of loans in low-income CTs was greater than both the percentage of the AA's businesses that are located in those CTs and the percentage of aggregate lending that occurred in those CTs. The bank's percentage of loans in moderate-income CTs was near both the percentage of the AA's business that are located in those CTs and the percentage of aggregate lending that occurred in those.

Distribution of Loans by Income Level of the Borrower

CNB's distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.

Home Mortgage Loans

The overall distribution of CNB's home mortgage loans to borrowers with different income levels is reasonable.

Refer to Table P in the state of Michigan section of *Appendix D* for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Hillsdale-Lenawee AA

CNB's distribution of home mortgage loans within the Hillsdale-Lenawee AA to borrowers of different income levels is reasonable. In drawing our conclusion, we gave consideration to the level of families living below the poverty level, as well as the level of competition within the AA. Both factors would impact the bank's ability to lend to low- and moderate-income borrowers. Specifically, based on 2010 U.S. Census data, the level of families living below the poverty level in the AA was 9.8 percent. Based on 2015 ACS data, the percentage of families living below the poverty level increased to 11 percent. Living below the poverty level makes it difficult for this segment of the population to qualify for financing to purchase and maintain a home. The Hillsdale-Lenawee AA also has a highly competitive banking environment. The AA is served by large regional and community banks, credit unions, and other home mortgage lending institutions. During the 2016 evaluation period, 224 lenders originated or purchased home mortgage loans in the AA. The top three lenders in the AA during 2016 were TLC Community Credit Union, Quicken Loans, and First Federal Bank of the Midwest. CNB ranked fourth in the AA, with a 5.22 percent market share. During 2017 and 2018, 236 lenders originated or purchased home mortgage loans in the AA, and the top three lenders were TLC Community Credit Union, Quicken Loans, and Old National Bank. CNB's market share declined to 4.70 percent, and it ranked sixth in the market.

During 2016, CNB's percentage of home mortgage loans to low-income borrowers was below the percentage of low-income families in the AA, but above the percentage of aggregate lending to low-income borrowers. The bank's percentage of home mortgage loans to moderate-income borrowers was near both the percentage of moderate-income families in the AA and the percentage of aggregate lending to moderate-income borrowers.

During 2017 and 2018, CNB's home mortgage lending performance in the AA improved. The bank's percentage of home mortgage loans to low-income borrowers remained below the percentage of low-income families in the AA, and continued to exceed the percentage of aggregate lending to low-income borrowers. However, the bank's percentage loans to moderate-income borrowers exceeded both the percentage of moderate-income families in the AA, and the percentage of aggregate lending to moderate-income borrowers.

Jackson AA

CNB's distribution of home mortgage loans within the Jackson AA to borrowers of different income levels is reasonable. In drawing our conclusion, we considered the level of families living below the poverty level as well as the level of competition within the AA. Both factors would impact the bank's ability to lend to low- and moderate-income borrowers. Specifically, based on 2010 U.S. Census data, the level of families living below the poverty level in the AA was 11 percent. Based on 2015 ACS data, the percentage of families living below the poverty level increased to 12.9 percent. Living below the poverty level makes it difficult for this segment of the population to qualify for financing to purchase and maintain a home. The Jackson AA also has a highly competitive banking environment. The AA is served by large regional and community banks, credit unions, and other home mortgage lending institutions. During 2016, 236 lenders originated or purchased home mortgage loans in the AA. The top three lenders during 2016 in the AA were Quicken Loans, Wells Fargo, and Flagstar Bank. CNB ranked fourth in the market, with a 5.53 percent market share. During 2017 and 2018, 240 lenders originated or purchased home mortgage loans in the AA. The top three lenders remained the same, but CNB's market share declined slightly to 3.87 percent, and it ranked sixth in the market.

During 2016, CNB's percentage of loans to low-income borrowers was significantly below the percentage of low-income families in the AA, but near the percentage of aggregate home mortgage lending to low-income borrowers. The bank's percentage of loans to moderate-income borrowers was near both the percentage of moderate-income families in the AA and the percentage of aggregate lending to moderate-income borrowers. During 2017 and 2018, the bank's percentage of loans to low-income borrowers remained significantly below the percentage of low-income families in the AA, and near the percentage of aggregate lending to low-income borrowers. The bank's percentage of loans to moderate-income borrowers was near the percentage of low-income families in the AA, but below the percentage of aggregate lending to moderate-income borrowers.

Small Loans to Businesses

CNB's overall distribution of loans to businesses of different sizes is reasonable.

Refer to Table R in the state of Michigan section of *Appendix D* for the facts and data used to evaluate CNB's borrower distribution of originations and purchases of small loans to businesses.

Hillsdale-Lenawee AA

During 2016, CNB's percentage of loans to businesses in the Hillsdale-Lenawee AA with annual revenues of \$1 million or less was significantly lower than the percentage of businesses in the AA with annual revenues of \$1 million or less. However, the bank's percentage exceeded the percentage of aggregate lending to businesses with annual revenues of \$1 million or less.

During 2017 and 2018, CNB's percentage of loans to businesses with annual revenues of \$1 million or less increased significantly compared to during 2016. While its percentage of loans to businesses with annual revenues of \$1 million or less remained below the percentage of AA businesses with annual revenues of \$1 million or less, it was significantly higher than the percentage of aggregate lending to businesses with revenues of \$1 million or less.

Jackson AA

During 2016, CNB's percentage of loans to businesses in the Jackson AA with annual revenues of \$1 million or less was significantly lower than the percentage of AA businesses with annual revenues of \$1 million or less. However, the bank's percentage loans to businesses with annual revenues of \$1 million or less was slightly higher than the percentage of aggregate lending to businesses with annual revenues of \$1 million or less.

During 2017 and 2018, CNB's percentage of loans to businesses with annual revenues of \$1 million or less continued to be significantly lower than the percentage of AA businesses with annual revenues of \$1 million or less, but the bank's percentage loans to businesses with annual revenues of \$1 million or less was near the percentage of aggregate lending to businesses with annual revenues of \$1 million or less.

Responses to Complaints

CNB did not receive any complaints related to the CRA during the evaluation period.

Conclusions for Calhoun AA Receiving a Limited Scope Review

Based on a limited-scope review, CNB's performance under the Lending Test in the Calhoun AA is weaker than the bank's overall performance under the Lending Test in the full-scope area(s). The bank did not originate a sufficient number of home mortgage loans during 2016, or a sufficient amount of small business loans between 2016 through 2018, to analyze its performance during those periods. During 2017 and 2018, the bank originated or purchased 22 home mortgage loans in the AA and its performance lending to borrowers of different income levels was similar to its performance in the areas that received full-scope reviews. However, the AA did not have any low- or moderate-income CTs to perform a meaningful geographic distribution analysis. The weaker performance in the Calhoun AA is expected, as the bank has a very limited presence in the AA and the demand for loans in the AA is limited. The AA is comprised of only two CTs, which make-up a small rural area in the county. Based on 2015 ACS data, there were only 156 small non-farm businesses, and approximately 1,419 owner-occupied housing units, in the AA.

COMMUNITY DEVELOPMENT TEST

CNB's performance under the CD Test in the state of Michigan is Satisfactory.

Based on both full-scope and limited-scope reviews, the bank exhibits adequate responsiveness to CD needs through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of opportunities in the bank's AAs.

Number and Amount of Community Development Loans

CNB demonstrated adequate responsiveness to CD needs through community development loans. The bank originated 24 CD loans totaling more than \$5.1 million during the evaluation period, largely in community service and economic development. Our community contact identified affordable housing as an opportunity for the bank to provide CD loans.

Hillsdale-Lenawee AA

CNB's level of qualified CD loans in the Hillsdale-Lenawee AA demonstrated adequate responsiveness to community needs. The bank originated 12 loans totaling approximately \$1.6 million during the evaluation period. The bank's CD lending in the AA focused on loans to finance community services and economic development.

Significant loans included a loan for \$650,000 to a non-profit organization to expand operations and storage of non-perishable food that is used to provide disaster aid. CNB also originated a loan to purchase a bus for a local school that has a majority of its students receiving free or reduced-cost lunches. Furthermore, CNB participates in the Capital Access Program (CAP) in conjunction with the Michigan Economic Development Corporation, to assist small Michigan businesses with access to capital. Through the CAP program, the bank originated eight loans totaling more than \$750,000 within the Hillsdale-Lenawee AA.

Jackson AA

CNB's level of qualified CD loans in the Jackson AA demonstrated adequate responsiveness to the needs of the community. The bank originated 12 loans totaling approximately \$3.6 million during the evaluation period. The bank's CD lending in the AA focused on loans to finance community services and economic development.

Significant loans include a \$1.1 million Small Business Association (SBA) backed loan to a business that promoted economic development. The bank also financed a loan to a local church to purchase a bus for transportation of low- and moderate-income individuals, which met a need identified by one of our community contacts related to increased transportation in the AA.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Hillsdale-Lenawee	14	3,545	65	6,098	79	55.2	9,643	71.3	-	-
Jackson	-	-	42	1,328	42	29.4	1,328	9.8	-	-
Calhoun	5	2,550	17	10	22	15.4	2,560	18.9	-	-

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

CNB's qualified investment activity demonstrates an excellent responsiveness to CD investment needs. The bank made 124 investments totaling more than \$7.4 million during the evaluation period.

Furthermore, the bank had 19 prior period investments totaling more than \$6 million. Included in the total is 109 donations totaling more than \$66,000 during the evaluation period. We gave positive weight to the fact that the bank's donations increased annually each year during the evaluation period, including a large increase during 2018.

Hillsdale-Lenawee AA

CNB's level of qualified investments in the Hillsdale-Lenawee AA demonstrates an excellent responsiveness to the needs of the AA. The bank's investments in the AA during the evaluation period totaled \$9.6 million, representing 15.6 percent of the bank's Tier 1 capital. The investments included more than \$6 million in local school bonds supporting various schools in the AA, which have a majority of their students receive free or reduced lunches. Bank donations included 60 different donations totaling \$27,686, which supported local schools, food pantries, and health clinics serving low- and moderate-income individuals. Furthermore, the bank had more than \$3.5 million in prior period investments in local school bonds.

Jackson AA

CNB's level of qualified investments in the Jackson AA demonstrates an adequate responsiveness to the needs of the AA. The bank had 42 investments totaling \$1.3 million during the evaluation period, representing 2.1 percent of the bank's Tier 1 capital. During the evaluation period, the bank invested \$1.3 million in City of Jackson capital improvement bonds. A majority of the CTs in the City of Jackson are low- or moderate-income CTs. Furthermore, the bank made 32 donations totaling \$28,262 during the evaluation period, which provided support for local schools, healthcare services, and affordable housing.

Extent to Which the Bank Provides Community Development Services

CNB provides a satisfactory level of community development services. The bank's branch network, ATMs, and products and services are accessible to all individuals in the AAs. It operates 13 branches in the market area, with seven in the Hillsdale-Lenawee AA, five in the Jackson AA, and one in the Calhoun AA. The bank has two branches located in moderate-income CTs, and one located in a low-income CT. Furthermore, two of the bank's branches border moderate-income CTs. The bank's ATM network includes full-service ATMs at 11 of the branch locations, three additional full-service ATM locations, and four other cash dispensing only ATMs. It also offers various methods for access to products and services, including internet, mobile, and telephone banking, and remote deposit capture, and it offers Interest on Lawyers Trust Accounts (IOLTA), which are utilized to provide legal aid funds to low- and moderate-income individuals. As of December 31, 2018, 15 lawyers held IOLTA accounts with a total of \$684,000 in deposits with the bank.

Hillsdale-Lenawee AA

CNB's CD service activities within the Hillsdale-Lenawee AA reflect an adequate responsiveness to CD service needs within the AA. The bank had 10 employees and members of bank management provide CD services to 12 different organizations in the AA. Some of the services included employees serving on boards or committees of organizations involved in providing services to low- and moderate-income individuals and economic development in the AA. Bank employees also participated in providing financial literacy classes to local schools that have a majority of low- or moderate-income students.

Jackson AA

CNB's CD service activities within the Jackson AA reflect an adequate responsiveness to CD service needs with the AA. The bank had 10 employees and members of bank management provide CD services to 14 different organizations within the Jackson AA. CD services included employees serving on boards and committees of organizations, which provided community services benefiting low- and moderate-income individuals and economic development in the AA. Furthermore, bank employees provided financial literacy classes to local schools, which have a majority of low- or moderate-income students.

Conclusions for Calhoun AA Receiving a Limited Scope Review

Based on a limited-scope review, CNB's performance under the CD Test in the Calhoun AA is consistent with the bank's performance under the CD Test in the full-scope areas.

CNB has one branch located on the border between the two middle-income CTs comprising the Calhoun AA. Bank investments of \$2.6 million in the AA are comprised almost entirely of prior investments in local school bonds for districts where low- and moderate-income students are a majority. The bank also made 17 donations totaling \$10,150 with the AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	01/01/2016 to 12/31/2018	
Bank Products Reviewed:	Home Mortgage Loans Small Business Loan Community Development Loans, Investments, and Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Michigan		
Hillsdale-Lenawee AA	Full-scope review	The Hillsdale-Lenawee AA consists Hillsdale and Lenawee Counties in their entireties. There are 35 census tracts in the AA, and the AA is not part of an MSA.
Jackson AA	Full-scope review	The Jackson AA consists of Jackson County in its entirety, and all of the Jackson, MI MSA. The AA includes 38 census tracts.
Calhoun AA	Limited-scope review	The Calhoun AA consists of two contiguous census tracts located in the southeastern portion of Calhoun County. The Calhoun AA is part of the Battle Creek, MI MSA.

Appendix B: Summary of MMSA and State Ratings

RATINGS: Hillsdale County National Bank			
	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
Overall Bank	Satisfactory	Satisfactory	Satisfactory
State of Michigan	Satisfactory	Satisfactory	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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, 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 (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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 (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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) 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.

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.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size)

throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.

Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																		2016														
Total Home Mortgage Loans																		Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available Income Tracts		
Assessment Area:	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate													
Hillsdale and Lenawee	219	24,855	44.0	4,197	0.0	0.0	0.0	6.6	5.5	3.2	57.5	78.5	49.5	35.9	16.0	47.3	0.0	0.0	0.0													
Jackson	266	41,420	53.4	4,811	6.4	1.9	2.8	10.0	3.4	7.8	54.7	52.3	56.8	28.9	42.5	32.5	0.0	0.0	0.0													
Calhoun	13	1,105	2.6	103	0.0	0.0	0.0	56.2	61.5	46.6	43.8	38.5	53.4	0.0	0.0	0.0	0.0	0.0	0.0													
Total	498	67,380	100.0	9,111	3.2	1.0	1.5	9.1	5.8	6.1	55.9	63.5	53.4	31.8	29.7	39.0	0.0	0.0	0.0													

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 bank HMDA data, 2016 aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																		2017-2018														
Total Home Mortgage Loans																		Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available Income Tracts		
Assessment Area:	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate													
Hillsdale and Lenawee	365	43,139	48.4	3,956	0.0	0.0	0.0	8.6	7.4	6.9	68.6	87.9	64.7	22.8	4.7	28.4	0.0	0.0	0.0													
Jackson	367	58,804	48.7	4,625	5.7	3.0	3.0	15.6	11.4	14.7	53.7	47.1	53.1	25.0	38.4	29.2	0.0	0.0	0.0													
Calhoun	22	2,411	2.9	99	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0													
Total	754	104,354	100.0	8,680	2.8	1.5	1.6	11.9	9.2	11.0	61.7	68.4	58.9	23.5	21.0	28.5	0.0	0.0	0.0													

Source: 2015 ACS data; 2017 and 2018 bank HMDA data, 2017 aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0.

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																		2016		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Hillsdale and Lenawee	219	24,855	44.0	4,197	16.2	7.3	5.2	17.1	16.4	19.0	21.6	23.7	22.3	45.2	47.5	41.0	0.0	5.0	12.5	
Jackson	266	41,420	53.4	4,811	20.7	5.3	7.7	18.3	15.8	19.6	21.3	20.7	22.3	39.7	53.8	34.6	0.0	4.5	15.8	
Calhoun AA	13	1,105	2.6	103	27.4	15.4	5.8	22.2	46.2	36.9	20.8	23.1	17.5	29.6	7.7	31.1	0.0	7.7	8.7	
Total	498	67,380	100.0	9,111	18.6	6.4	6.5	17.8	16.9	19.5	21.4	22.1	22.2	42.1	49.8	37.5	0.0	4.8	14.2	

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 bank HMDA data, 2016 aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0.

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																		2017-2018		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Hillsdale and Lenawee	365	43,139	48.4	3,956	17.8	9.0	5.2	17.9	21.6	19.0	21.3	21.4	24.2	43.0	41.6	38.3	0.0	6.3	13.3	
Jackson	367	58,804	48.7	4,625	22.3	5.5	8.3	17.5	14.4	19.4	20.2	18.5	23.8	40.0	54.2	35.5	0.0	7.4	13.0	
Calhoun	22	2,411	5.8	99	18.5	9.1	6.1	18.9	27.3	31.3	23.1	22.7	28.3	39.5	40.9	28.3	0.0	0.0	6.1	
Total	754	104,354	100.0	8,680	20.1	7.3	6.8	17.7	18.3	19.4	20.8	20.0	24.0	41.4	47.7	36.7	0.0	6.6	13.1	

Source: 2015 ACS data; 2017 and 2018 bank HMDA data, 2017 aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																2016		
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Hillsdale and Lenawee	34	5,111	46.58	0.0	0.0	0.0	6.7	2.94	6.7	62.1	79.41	56.2	31.3	17.65	37.1	0.0	0.0	0.0
Jackson	39	7,403	53.42	15.7	2.56	15.4	15.5	12.82	14.6	44.8	46.15	42.0	23.9	38.47	28.0	0.1	0.00	0.0
Calhoun	0	0	0.00	0.0	0.00	0.0	65.3	0.00	50.0	34.7	0.00	50.0	0.0	0.00	0.0	0.0	0.00	0.0
Total	73	12,514	100.0	8.0	1.37	8.0	12.1	8.22	11.1	52.8	61.64	48.8	27.0	28.77	32.2	0.1	0.00	0.0

Source: 2016 D&B data; 01/01/2016 - 12/31/2016 bank data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																2017-2018		
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Hillsdale and Lenawee	60	6,222	41.96	0.0	0.00	0.0	17.1	11.67	14.4	63.7	85.00	63.7	19.2	3.33	21.9	0.0	0.00	0.0
Jackson	80	12,801	55.94	10.2	11.25	10.4	28.7	27.50	29.6	41.0	27.50	39.3	19.8	33.75	20.8	0.2	0.00	0.0
Calhoun	3	373	2.10	0.0	0.00	0.0	0.0	0.00	0.0	100.0	100.00	100.0	0.0	0.00	0.0	0.0	0.00	0.0
Total	143	19,396	100.0	5.3	6.29	5.8	22.8	20.28	22.8	52.5	53.15	50.3	19.3	20.28	21.0	0.1	0.00	0.0

Source: 2017 D&B data; 01/01/2017 - 12/31/2018 bank data; 2017 CRA aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues										2016	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate Lending	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Hillsdale and Lenawee	34	5,111	46.58	NA	82.2	52.94	42.4	5.7	14.71	12.1	32.35
Jackson	39	7,403	53.42	NA	79.0	48.72	42.6	7.9	35.89	13.1	15.39
Calhoun	0	0	0.00	NA	80.4	0.00	45.5	9.6	0.00	10.0	0.00
Total	73	12,514	100.00	NA	80.5	50.69	42.5	6.9	26.03	12.6	23.28

Source: 2016 D&B data; 01/01/2016 - 12/31/2016 bank data; 2016 CRA aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0.

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues										2017-2018	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate Lending	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Hillsdale and Lenawee	60	6,222	41.96	NA	81.7	70.00	49.9	6.2	16.67	12.2	13.33
Jackson	80	12,801	55.94	NA	78.5	42.50	45.1	8.2	52.50	13.3	5.00
Calhoun	3	373	2.10	NA	78.7	0.00	54.8	10.4	80.00	10.9	20.00
Total	143	19,396	100.00	NA	80.0	52.41	47.3	7.3	38.62	12.7	8.97

Source: 2017 D&B data; 01/01/2017 - 12/31/2018 bank data; 2017 CRA aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0.