



PUBLIC DISCLOSURE

May 31, 2016

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
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: Satisfactory

Consumers National Bank (CNB or bank) has a satisfactory record of lending and being responsive to addressing the needs of the community.

The major factors supporting the bank's rating include:

- CNB's average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs within the bank's assessment areas (AAs).
- CNB originates a majority of its loans inside its AAs and meets the standard for satisfactory performance.
- CNB's distribution of home mortgage and business loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.
- CNB's geographic distribution of home mortgage and business lending reflects reasonable dispersion throughout its AAs.
- CNB's community development (CD) performance demonstrates adequate responsiveness to the community development needs of its AAs through CD loans, qualified investments, and community development services.

Scope of Examination

We evaluated CNB's Community Reinvestment Act (CRA) performance using Intermediate Small Bank (ISB) procedures. The ISB procedures include a lending test and a community development (CD) test. The lending test evaluates a bank's record of meeting the credit needs of its AA's through its lending activity. The CD test evaluates the bank's responsiveness to needs in the AA's through qualified CD loans, investments, and services.

The evaluation period for our assessment was April 2, 2013 through May 31, 2016. For lending test analysis purposes, we used Home Mortgage Disclosure Act (HMDA) data from January 1, 2012 through December 31, 2015. The OCC tested the accuracy of the HMDA data and determined it was reliable for CRA analysis. Additionally, we used internal bank data for business loans from January 1, 2014 through December 31, 2015. We also tested the bank's business loan database and determined it to be reliable for our analyses. For lending in assessment areas under the lending test, we included all HMDA data and all business lending data except for twenty (20) qualified Small Business Administration (SBA) 504 loans that were included in the bank's CD test. Management elected to have qualified business loans excluded from the lending

test and included in the CD test. Per interagency guidelines, business loans cannot be included under both tests. Excluding the qualified CD loans did not negatively impact the results of the bank's lending test.

We evaluated the bank's borrower and geographic distribution of business loans based on loan samples. Performance in the Canton-Massillon AA is based on 26 loans, and performance in the Columbiana County AA is based on 25 loans. See the Lending Test section for analyses.

We determined the bank's primary loan products are home mortgages and non-farm business loans by reviewing a bank lending activity report covering the period of January 1, 2014 through December 31, 2015.

The evaluation period for the bank's community development activities covered April 2, 2013 through May 31, 2016. We reviewed CD loans, investments, and services conducted by the bank. Additionally, we contacted two local organizations located within the bank's AAs to help determine the credit needs within the AAs. Refer to the Description of Assessment Areas section for additional information.

In drawing conclusions we considered performance from both of the bank's AAs. More significance was placed on performance in the Canton-Massillon AA due to the bank's larger branch presence, deposits, and lending in the area. Neither of the bank's two assessment areas (AAs) were impacted by Office of Management and Budget's MSA delineation changes that took effect in January 2014, which allowed for the four years of data to be combined for analysis purposes.

Description of Institution

CNB is a full-service intrastate community bank headquartered in Minerva, Ohio. As of December 31, 2015, CNB reported total assets of \$416 million. CNB is a wholly-owned subsidiary of Consumers Bancorp, Incorporated, a one-bank holding company, also located in Minerva, Ohio.

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.

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. CNB did not close or open any offices during the evaluation period.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The previous CRA examination, dated April 1, 2013, resulted in a rating of "Satisfactory."

Description of Assessment Areas

CNB has delineated two AAs for CRA purposes. The AAs comply with the regulation and do not arbitrarily exclude any low- or moderate-income census tracts.

Canton-Massillon AA

The Canton-Massillon AA is the Canton-Massillon, OH MSA (15940) and is comprised of Carroll County and Stark County. When offices were opened near the end of the prior evaluation period, bank management expanded the AA to include all of Stark County. This is the bank's most significant AA in terms of branches, loans, deposits, geographic size, and population. The table below depicts the demographics of the Canton-Massillon AA.

Demographic Information for the Canton-Massillon AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	93	8.60	13.98	55.91	21.51	0.00
Population by Geography	404,422	4.77	12.26	57.20	25.78	0.00
Owner-Occupied Housing by Geography	116,548	3.09	9.84	60.24	26.83	0.00
Business by Geography	23,831	6.47	9.38	52.56	31.59	0.00
Farms by Geography	1,188	1.26	5.72	70.79	22.22	0.00
Family Distribution by Income Level	109,045	19.27	19.02	21.68	40.03	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	41,753	8.63	18.95	58.41	14.01	0.00
Median Family Income			55,645	Median Housing Value		124,717
HUD Adjusted Median Family Income for 2015			58,900	Unemployment Rate 2015		5.52%
Households Below Poverty Level			12.41%			

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2015 FFIEC updated MFI

Competition within the bank's Canton-Massillon AA from other financial institutions is high. According to the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits as of June 30, 2015, 18 financial institutions with 135 offices operated within the MSA AA. CNB operates nine branches inside the Canton-Massillon AA with deposits totaling \$235.7 million, representing a 3.57 percent market share. Based on 2013 Carroll and Stark Ohio County profiles, the composition of businesses in the AA are primarily construction, mining, retail trade, transportation, utilities, professional and business services, and education and health services. Major employers in Stark County include Alliance Community Hospital, H.J. Heinz Company, L.P., Nickles Bakery, and Wal-Mart Stores, Inc. Major employers in Carroll County include Carroll Health Center Inc., and GBS Corporation.

According to the Federal Reserve's Unemployment rate data as of July 2014, unemployment rates continue to decrease as economic conditions are slowly returning to pre-recession levels in the Canton-Massillon AA. The decrease in the unemployment rate is attributed to strong growth in the oil industry, construction and manufacturing, professional and business services, and leisure and hospitality.

We contacted a community organization serving the Canton-Massillon AA to help determine the community credit needs. The contact noted that credit needs include small business loans and those related to economic development.

Columbiana County AA

The Columbiana County AA is comprised entirely of Columbiana County and is not located in an MSA. The AA has changed slightly since the last evaluation. With no branches located in Tuscarawas County, two adjacent Tuscarawas County census tracts have been eliminated. Management made the change near the end of the prior evaluation period after the opening of branches in the Canton-Massillon AA. The changes to the Columbiana County AA are reasonable and comply with the regulation. The table below depicts the demographics of the Columbiana County AA.

Demographic Information for Columbiana County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	0.00	29.17	66.67	4.17	0.00
Population by Geography	107,841	0.00	21.77	73.08	5.16	0.00
Owner-Occupied Housing by Geography	31,485	0.00	20.82	73.63	5.55	0.00
Business by Geography	5,975	0.00	17.26	75.73	7.01	0.00
Farms by Geography	468	0.00	17.52	79.49	2.99	0.00
Family Distribution by Income Level	29,413	22.02	20.59	21.02	36.36	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,533	0.00	29.04	67.57	3.45	0.00
Median Family Income			52,573	Median Housing Value 2015		98,513
HUD Adjusted Median Family Income for 2015			56,900	Unemployment Rate 2015		5.91%
Households Below Poverty Level			15.24%			

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2015 FFIEC updated MFI

Competition within the bank's Columbiana County AA from other financial institutions is high. According to the FDIC's Summary of Deposits as of June 30, 2015, 11 financial institutions with 39 offices operated within the AA. CNB operates three branches inside the AA, with deposits totaling \$97.4 million, representing a 6.90 percent market share.

Based on the 2013 Columbiana County profile, the composition of businesses in the AA primarily support trade, transportation, utilities, manufacturing, education and health

services. Major employers in Columbiana County include American Standard Brands, East Liverpool City Hospital, Salem Community Hospital, and Wal-Mart Stores Inc.

Additionally, the profile shows unemployment rates continue to decrease as economic conditions are slowly returning to pre-recession levels.

We contacted a community organization serving the Columbiana AA to help determine the community credit needs. The contact noted local needs include credit counseling and affordable housing.

Conclusions with Respect to Performance Tests

LENDING TEST

CNB's lending performance is Satisfactory. The bank's loan-to-deposit ratio is reasonable and the bank originates a majority of loans inside its AA. The bank's home mortgage and business lending illustrate reasonable geographic and borrower distributions.

Loan-to-Deposit Ratio

CNB's average LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs, and meets the standard for satisfactory performance. Over the past eleven quarters, CNB's LTD ratio averaged 70.23 percent, ranging from a quarterly high of 72.49 percent and a quarterly low of 67.97 percent. Our conclusions took into consideration increased deposits and loan-pay downs from customers receiving oil and gas drilling contracts in the area. When compared to other banks, we determined that three other area banks of similar size had LTD ratios that ranged between 108.93 percent and 50.60 percent during the same eleven quarters.

Lending in Assessment Area

CNB originated a majority of its loans inside its AAs and met the standard for satisfactory performance. The bank originated 77.63 percent of loans by number and 65.79 percent by dollar within the AAs. Table 1 illustrates the number and dollar amount of loans originated inside and outside the bank's AAs.

Table 1 - Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	401	85.68	67	14.32	468	51,634	73.66	18,461	26.34	70,095
Business	321	69.48	141	30.52	462	64,120	60.57	41,739	39.43	105,859
Totals	722	77.63	208	22.37	930	115,754	65.79	60,200	34.21	175,954

Source: HMDA data January 1, 2012 through December 31, 2015. Business loan activity January 1, 2014 through December 31, 2015.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

CNB's distribution of home mortgages and business loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.

Home Mortgage Loans

Canton-Massillon AA

CNB has reasonable penetration among borrowers of different income levels in the Canton-Massillon AA. While the percentage of loans to low-income borrowers is below the percentage of AA families that are low-income, U.S. 2010 Census data reflects that approximately 12 percent of households were below the poverty level. In drawing conclusions, we considered that it is especially difficult for the segment of the population that lives below the poverty line to afford and maintain a home. This has a particular impact on the opportunity to lend to the low-income population of the community. In moderate-income neighborhoods, the percentage of lending by CNB reasonably compares to the percentage of moderate-income families in the AA. Refer to Table 2 below.

Table 2 - Borrower Distribution of Home Mortgage Loans in Canton-Massillon AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 Loans	19.27	11.92	19.02	15.89	21.68	23.18	40.03	37.09

Source: 2012 – 2015 HMDA Data; US 2010 Census Data

Columbiana County AA

CNB has reasonable penetration among borrowers of different income levels in the Columbiana County AA. While the percentage of loans to low-income borrowers is well below the percentage of AA families that are low-income, U.S. 2010 Census data reflects that approximately 15 percent of households were below the poverty level. It is especially difficult for this segment of the population to afford and maintain a home, which impacts the opportunity to lend to the low-income population of the community. In moderate-income neighborhoods, the percentage of lending by CNB reasonably compares to the percentage of moderate-income families in the AA. Refer to Table 3 below.

Table 3 - Borrower Distribution of Home Mortgage Loans in Columbiana County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 Loans	22.02	12.12	20.59	16.16	21.02	26.26	36.36	40.40

Source: 2012 – 2015 HMDA Data; US 2010 Census Data

Business Loans

Canton-Massillon AA

In the Canton-Massillon AA, CNB demonstrated reasonable penetration among businesses of different sizes. The percentage of loans to businesses with annual revenues of less than \$1 million is reasonable in comparison to the percentage of area businesses with annual revenues of less than \$1 million. Refer to Table 4 below.

Table 4 - Borrower Distribution of Loans to Businesses in Canton-Massillon AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.89	5.47	16.64	100.00
% of Bank Loans in AA by #	61.54	38.46	0.00	100.00
% of Bank Loans in AA by \$	31.11	68.89	0.00	100.00

Source: 2014-2015 Loan Sample; Dunn & Bradstreet data as of June 2014

Columbiana County AA

The bank's penetration of businesses of different sizes is poor in the Columbiana County AA. The percentage of loans to businesses with annual revenues of less than \$1 million is well below the percentage of AA businesses with annual revenues of less than \$1 million. Although the bank's penetration was lower than the demographic, there was significant competition within the AA and the bank's branch presence is limited in the AA. Refer to Table 5 below.

Table 5 - Borrower Distribution of Loans to Businesses in Columbiana County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.81	4.84	16.35	100.00
% of Bank Loans in AA by #	48.00	52.00	0.00	100.00
% of Bank Loans in AA by \$	36.80	63.20	0.00	100.00

Source: 2014-2015 Loan Sample Dunn & Bradstreet data as of June 2014;

Geographic Distribution of Loans

The overall geographic distribution of CNB's home mortgage and business loans reflects reasonable dispersion throughout the AAs.

Home Mortgage Loans

Canton-Massillon AA

The geographic distribution of home mortgage loans is poor in the Canton-Massillon AA. The percentage of loans in low-income census tracts is significantly below the percentage of the AA's owner-occupied housing units located in these neighborhoods

and represents very poor performance. The percentage of home loans in moderate-income tracts is below the percentage of owner-occupied housing units in these neighborhoods, but represents reasonable performance. High levels of competition for home loans exist. Refer to Table 6 below.

Table 6 - Geographic Distribution of Home Mortgage 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 Loans	3.09	0.66	9.84	6.95	60.24	76.16	26.83	16.23

Source: 2012 – 2015 HMDA Data; US 2010 Census Data

Columbiana County AA

The geographic distribution of home mortgage loans reflects reasonable dispersion within the AA. Although the percentage of loans in moderate-income neighborhoods is below the percent of owner-occupied housing units located in those neighborhoods, there is high competition within the AA and the bank only operates three branches in the Columbiana County AA. This AA has no low-income census tracts. Refer to Table 7 below.

Table 7 - Geographic Distribution of Home Mortgage Loans in Columbiana County 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 Loans	0.00	0.00	20.82	14.14	73.63	85.86	5.55	0.00

Source: 2012 – 2015 HMDA Data; US 2010 Census Data

Business Loans

Canton-Massillon AA

The geographic distribution of business loans in the Canton-Massillon AA reflects reasonable dispersion within the AA. Although the bank’s lending in low-income census tracts was below the percentage of businesses located in those areas, lending in moderate-income areas exceeded the percentage of businesses located in moderate-income areas. Refer to Table 8.

Table 8 - Geographic Distribution of Loans to Businesses in Canton-Massillon AA							
Low-Income		Moderate-Income		Middle-Income		Upper-Income	
% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
6.47	3.85	9.38	11.54	52.56	76.92	31.59	7.69

Source: 2014-2015 Loan Sample); Dunn & Bradstreet data as of June 2014;

Columbiana County AA

The geographic distribution of business loans in the Columbiana County AA reflects excellent dispersion throughout the AA. The bank originated 28 percent of business loans in moderate-income tracts, which significantly exceeds the percentage of AA businesses located in the moderate-income tracts. This AA has no low-income census tracts. Refer to Table 9 below.

Table 9 - Geographic Distribution of Loans to Businesses in Columbiana County AA							
Low-Income		Moderate-Income		Middle-Income		Upper-Income	
% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
0.00	0.00	17.26	28.00	75.73	68.00	7.01	4.00

Source: 2014-2015 Loan Sample Dunn & Bradstreet data as of June 2014;

Responses to Complaints

CNB received no complaints about its performance in helping to meet the credit needs within its AAs during this evaluation period.

COMMUNITY DEVELOPMENT TEST

CNB's performance under the CD Test is Satisfactory. The bank demonstrated adequate responsiveness to the needs of its AAs through CD loans, qualified investments, and CD services. In drawing overall conclusions, more significance was placed on performance in the Canton-Massillon AA due to the bank's larger branch presence, deposits, and lending in the area.

Number and Amount of Community Development Loans

Canton-Massillon AA

CNB's CD lending reflected excellent responsiveness to addressing the needs of the AA. CNB originated three CD loans, totaling \$2.3 million, which were to provide affordable housing and services to individuals with disabilities and older adults. Additionally, CNB originated seventeen small business loans, totaling \$5.1 million, to help promote economic development within the Canton-Massillon AA.

Columbiana County AA

CNB's CD lending reflected adequate responsiveness within the AA. CNB originated one CD loan for \$500 thousand, which provides affordable housing to low- and moderate-income individuals. Additionally, CNB originated three small business loans, totaling \$660 thousand, which helped to promote economic development within the Columbiana County AA.

Number and Amount of Qualified Investments

CNB's level of qualified investments demonstrates satisfactory responsiveness to the needs of the community within the AAs.

Canton-Massillon AA

Although the bank made several investments and donations within the Canton-Massillon AA, information available was not sufficient to allow us to evaluate if they met CD criteria. Therefore, we were not able to give consideration to the bank's investment activities.

Columbiana County AA

CNB made a total of \$25 thousand in donations to a community development organization assisting low- and moderate-income students within the bank's Columbiana County AA. Although the bank made several additional investments and donations within the Columbiana County AA, information available was not sufficient to allow us to evaluate if they met CD criteria. Therefore, we were not able to give consideration to those investment activities.

Extent to Which the Bank Provides Community Development Services

CNB's CD services reflected adequate responsiveness to CD needs within its AAs. The bank provides a variety of products and services to customers of all income levels and geographies. CNB has twelve branches, nine within the Canton-Massillon AA and three within the Columbiana County AA.

Canton-Massillon AA

CNB's CD services within the Canton-Massillon AA reflected adequate responsiveness to meeting community needs. CNB officers and employees provided a variety of CD services in the AA. Bank management and staff are active in several organizations that assist low- and moderate-income individuals and families by providing social services and affordable housing. For example, bank employees participated in a local program that provided holiday gift baskets, including essential needs items, to low- and moderate-income children in the AA. Additionally, bank employees provided elder

financial abuse training to elders in the community, most of whom are low- or moderate-income individuals.

Columbiana County AA

CNB's CD services within the Columbiana County AA reflected adequate responsiveness to meeting community needs. The bank's size in relation to the size of the AA and the needs within the community were considered in the evaluation of CD services within the AA.

Bank employees participated in a program targeting first generation low- and moderate-income college bound students to educate them on leadership and basic financial management topics including how to manage credit, balance a checkbook and create and manage a budget.

Responsiveness to Community Development Needs

CNB's community development activities demonstrate adequate responsiveness to community needs, including those that were identified through community contacts. The bank's activities have helped address affordable housing, small business financing, education and social services for low- and moderate-income individuals, and economic development initiatives within the bank's local communities.

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 who 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.