



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

August 07, 2007

### **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

Northern Ohio  
3 Summit Park Drive Summit Office Park, Suite 530  
Independence, OH 44131

**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.**

Consumer's National Bank (CNB) has a good record of addressing community credit needs.

The major factors supporting the bank's ratings include:

- The bank's net loan to deposit ratio is excellent
- The bank's record of lending in the assessment area is excellent
- The bank's record of lending to borrowers of different income and businesses of different sizes is excellent.
- The bank's geographic distribution of home mortgage loans and small business loans is adequate.

### **SCOPE OF EXAMINATION**

Conclusions regarding the bank's lending performance are based on residential mortgage and small business loans from January 1, 2004 through December 31, 2006.

The bank's primary assessment area [AA] includes the Canton-Massillon OH MSA and Columbiana-Tuscarawas Non-MSA. Since the census tracts in both Columbiana and Tuscarawas Counties are both in non-MSA geographies, they were combined into a single AA for analysis purposes. Both the Canton-Massillon OH MSA and the Columbiana-Tuscarawas Non-MSA AA will receive full-scope reviews as they comprise the areas the bank has all of its branches and actively markets its products and services.

Due to changes in the demarcations of metropolitan statistical areas [MSA's] occurring in 2004, the Youngstown-Warren OH MSA was reconfigured with Mercer County, PA replacing Columbiana County, OH. This represents a change regarding the AAs of the bank from the previous performance evaluation. At that time, the two primary AAs consisted of the Canton-Massillon MSA and the Youngstown-Warren OH MSA as it was then called. Tuscarawas County was a separate AA consisting of only 2 geographies.

Our review included contacting local housing and economic development groups to ascertain community credit needs. Each contact also stated the local financial institutions offering products to help meet these needs. These findings will be addressed in the Performance Context portion of the evaluation.

## DESCRIPTION OF INSTITUTION

Consumers National Bank (CNB) is headquartered in Minerva, Ohio, which is located in the Canton-Massillon MSA 15940. CNB is a wholly-owned subsidiary of Consumers Bancorp, Inc. The holding company is also located in Minerva, Ohio with assets totaling \$201 million. As of December 31, 2006, CNB reported total assets of \$200 million. Since the previous evaluation, the bank has closed a finance company (Community Finance) to service sub-prime borrowers in its assessment area.

CNB is a full-service lender offering various loan and deposit products. CNB offers conventional home mortgage loans, home improvement and refinance loans and a full range of business loans. As of December 31, 2006, net loans represent 72 percent of total assets and consist of primarily real estate loans. The distribution of CNB's loan portfolio is as follows: real estate loans (89 percent), commercial loans (6 percent), loans to individuals (4 percent), and agricultural and other loans (1 percent). The bank's real estate portfolio consists primarily of 1-4 family residential (42 percent), multifamily (12 percent), commercial (35 percent), and agricultural loans (11 percent).

The bank operates five full-service branches in Stark County, two in Carroll County, and three in Columbiana County. All of CNB's full-service branches offer drive-up facilities and ATMs.

Since the previous examination, CNB has opened one branch office at Malvern. The opening of the branch in Malvern fit the strategic profile of the communities they serve and provides the community with a community banking alternative. The bank also combined its former Lisbon office and drive-up facilities into a single branch on Dickey Drive. CNB has not closed a branch office since the previous examination.

CNB has historically been primarily a retail bank making home mortgage and consumer loans. It has recently expanded its agricultural lending in its service area to those not currently being served by other regional banks.

Conclusions regarding the Performance Criteria are based on data collected for calendar years 2001 through 2006. The evaluation of the bank's performance includes HMDA-reportable and a sample of small business originations within its assessment area for years 2004 through 2006.

As part of the CRA evaluation, CNB's publicly filed information on home mortgage loans was tested for accuracy. The test included an evaluation of CNB's processes to ensure that data are reliable. No significant errors were noted in the review of these data that would effect CRA conclusions.

There are no legal, financial or other factors impeding CNB's ability to help meet the credit needs of the communities it serves. CNB's Tier 1 Capital Level is \$17.1 million representing 8.6 percent of adjusted average assets as of December 31, 2006.

The bank's most recent CRA Public Evaluation was dated August 13, 2001. Its performance at that time was rated Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB has two assessment areas (AAs). The bank's assessment areas consists of seventy-nine census tracts, which are portions of the Canton-Massillon MSA #15490 (59 census tracts), and the Columbiana and Tuscarawas Non-MSA AA (20 census tracts). Both AAs meet the requirements of the regulations, do not arbitrarily exclude any low-or moderate-income areas, and are contiguous.

Since the bank's primary market area is Stark and Carroll Counties, which comprise the Canton-Massillon MSA, and where a majority of the bank's branches (7 of 10), loans and deposits are located, we are placing more weight on this area rather than the Columbiana-Tuscarawas Non-MSA AA.

### **Canton-Massillon MSA #15490 - Stark & Carroll Counties**

This AA consists of 59 geographies which are located in western Stark County & in Carroll County. Both these counties are included in the Canton-Massillon MSA. Within the AA, there are three low-income geographies (5.08 percent), thirteen moderate-income geographies (23.03 percent), thirty-seven middle-income geographies (62.71 percent), and six upper-income geographies (10.17 percent).

The unemployment rate as of December 2006 for Stark County and Carroll County are 5.7 percent and 5.8 percent, respectively. These rates are slightly higher than the Ohio state unemployment rate of 5.4 percent and higher than the national rate of 4.3 percent. Over the length of the evaluation period, unemployment trends have steadily increased from 4.1 percent and 5 percent, respectively, in 2001 to present levels. Historically, the county economy has centered on manufacturing, education and medical services, and retail businesses. Major employers include The Timken Company, Hoover Company, Diebold Inc., Mercy Medical Center, and AK Steel Holding. The city of Canton is the largest city in Stark County followed by Massillon. Carrollton is the largest city in Carroll County followed by Malvern. Major employers in this county include Atwood Lake Resort and Conference Center, Colfor Manufacturing, St. John's Villa, and GBS Filing Systems.

The HUD 2006 adjusted median family income in the AA is \$54,900. The 2000 census bureau lists the assessment area population as 270,863 persons, which comprises 73,043 families. Of these families, 19.75 percent in the AA are low income, 20.42 percent of the families are moderate-income, 24.77 percent are middle-income, and 35.05 percent are upper-income. In addition, approximately 10.83 percent of the households are below poverty level with 3.64 percent relying on public assistance. Thirty-One percent of the household income is derived from social security and 21 percent of the households are retired. Housing units consist of 66 percent owner-occupied and 27 percent rental occupied. The housing units are primarily one-to-four

family with a median housing value of \$92,974.

We made one contact with an affordable housing and social service agency within the community to discuss the community credit needs.

The following credit and non-credit related needs were identified in this AA:

- Funding for a small business incubator to provide monies for individual rehab projects and permanent financing term-outs.
- Additional funding to expand the county micro-financing revolving loan pool.
- In-kind assistance of local bankers to serve on a loan review committee for the micro-financing loan pool and small business incubators noted above.
- Financial literacy training and creation of an individual deposit account (IDA) targeted to LMI households.
- Loans for start-ups and working capital to small business in amounts under \$100 thousand.

CNB faces keen competition within this AA. Competitors in the AA include local community and large regional banks as well as local thrifts. Major competitors in the AA include First Merit Bank, N.A, Charter One, Huntington Bank, and Key Bank, which is headquartered in Cleveland, Ohio. Market share data for these competitors are 19 percent, 17 percent, 14 percent and 13 percent, respectively. Consumers National Bank market share for this AA is 2 percent.

### **Non-MSA - Columbiana & Tuscarawas Counties**

This AA consists of 20 geographies: 18 in Columbiana County and 2 in Tuscarawas County. Within the AA, there are eighteen middle income geographies (90 percent of geographies), and two upper-income geographies (10 percent of geographies). No low- or moderate-income geographies are located in this AA.

The unemployment rate as of December 2006 for Columbiana County and Tuscarawas County are 6.5 percent and 5.1 percent respectively. Columbiana County is higher than the Ohio state unemployment rate of 5.4 percent and significantly higher than the national rate of 4.3 percent. Tuscarawas County is slightly lower than the than the Ohio state unemployment rate of 5.4 percent and higher than the national rate of 4.3 percent.

Over the length of the evaluation period, unemployment trends have steadily increased from 5.1 percent in 2001 to 6.5 percent in 2006 for Columbiana County. Historically, the Columbiana County economy is manufacturing oriented, but also includes education and medical, retail, and state and local government. Factory closings and relocations are attributed for the rise in unemployment. Largest employers include, but are not limited to Salem Community Hospital, Sky Bank, Blackhawk Automotive Plastics, Summerville Tile, and Fresh Mark Inc. The major cities within this AA are Salem, Lisbon and Columbiana.

Over the length of the evaluation period, unemployment trends have steadily decreased from 5.6 percent in 2002 to 5.1 percent in 2006 for Tuscarawas County. Historically, the Tuscarawas County economy is manufacturing oriented, but also includes education and medical, retail, and state and local government. Major employers include Union Hospital, Aleris Rolled Products, Smurfit-Stone Containers, and Tastee Apple Inc. The city of New Philadelphia is the largest city of the county followed by Dover and Uhrichsville.

The HUD 2006 adjusted median family income in the AA is \$51,100. The 2000 census bureau lists the assessment area population as 102,440 persons, which comprises 28,417 families. Of these families, 17.33 percent in the AA are low-income, 20.68 percent of the families are moderate-income, 25.17 percent of the families are middle-income, and 36.82 percent are upper-income. In addition, approximately 9 percent of the households are below poverty level with 2 percent relying on public assistance. Thirty percent of the household income is derived from social security and 20 percent of the households are retired. Housing units consist of 73 percent owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$85,783.

We made one contact with an affordable housing and social service agency within the community to discuss the community credit needs.

The following credit and non-credit related needs were identified in this AA:

- Provide additional capital to a county affordable housing agency for their revolving loan program which assists low-income homeowners with the financial resources needed to do health and safety home repairs. .
- Identifying and referring potential problem borrowers to use agency credit counseling program to forestall foreclosure of their homes.
- Provide funds and/or personnel to conduct financial literacy programs for youths and adults.
- Continued need for loans to small businesses for start-ups and working capital loans in amounts under \$100 thousand.

CNB faces moderate competition within this AA. Competitors in the AA include local community and large regional banks as well as local thrifts. Major competitors in the AA include Sky Bank, Home Savings & Loan, National City Bank, & Farmers National Bank of Canfield. Market share data for these competitors are 27 percent, 21 percent, 10 percent and 9 percent. Consumers National Bank market share for this AA is 8 percent.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's net loan-to-deposit ratio is excellent and exceeds the standards for satisfactory performance given the bank's size, financial condition, credit needs.

For analysis purposes, the bank's current and 22-quarter average LTD ratios were compared with a peer group of four banks consisting of various sizes and similar purpose. The analysis shows the bank's loan-to-deposit ratio (LTD) as of December 31 2006 was 83.61 percent which compares favorably to the peer average of 73.03 percent. When shown over the previous 22 quarters the LTD ratio equals 85.15 percent also comparing favorably to the peer average of 68.33 percent. This ratio has shown a decreasing trend in recent years.

**Lending in Assessment Area**

Consumers National Bank's record of lending within its assessment area is excellent and exceeds the standards for satisfactory performance.

Record of Lending within Assessment Area								
	Within Assessment Area				Outside Assessment Area			
	#	%	\$	%	#	%	\$	%
<b>HMDA Loans Total</b>	439	89.96%	25,455	86.40	49	10.04	4,007	13.60
Purchase	100	84.75	7,857	81.43	18	15.25	1,792	18.57
Home Improvement	142	91.61	3121	85.84	13	8.39	515	14.16
Refinance	197	91.63	14,477	89.49	18	8.37	515	14.16
<b>Small Business Loans</b>	17	85.00%	1,355	80.00%	3	15.00%	349	20.00%
<b>Total Loans</b>	456	89.76%	26,800	86.02%	52	10,24	4,356	13.98%

1. Dollar amount are as thousands.
2. HMDA totals based on all HMDA loans reported by CNB for years 2004-2006
3. Small business data based on a sample of 20 loans originated during the evaluation period.

The bank made a substantial majority, 89.76 percent, of its residential real estate and small business loans within its assessment area. The bank made 84.75 percent of its home purchase loans, 91.61 percent of its home improvement loans, 91.63 percent of its home refinance loans, and 85.00 percent of its small business loans within its assessment area. This Public Evaluation covers the bank's lending activity of HMDA loans originated for the period January 2004 through December 2006.

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

Since the bank is a HMDA reporter, our conclusions are based on all home mortgage loans originated by the bank during the evaluation period. These classes of home mortgage products include home purchase, home improvement and home refinance loans. Our conclusions are also based on the bank's origination of small business loans. Lending to business of different sizes is based on a sample of twenty small business loans.

CNB's borrower distribution for home mortgage lending and small business lending is excellent and reflects excellent penetration.

**Canton - Massillon MSA** - Overall lending to borrowers of different income levels and businesses of different sizes is excellent and reflects excellent penetration. The tables below detail the bank's lending to borrowers of different income levels and businesses of different sizes by number of loan originations and dollar volume during the evaluation period.

<b>Distribution of Lending by Borrower Income Level</b>					
	Home Mortgage Loans - Purchase Stark County MSA				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	14	20.00	644	11.31	19.75
Moderate	13	18.57	913	16.04	20.42
Middle	15	21.43	1,139	20.01	24.77
Upper	28	40.00	2,996	52.64	35.05

Source: 2004 through 2006 HMDA data and 2000 US Census data.

CNBs distribution of home purchase loans reflects good penetration among individuals of different income levels.

Although CNB's origination of home purchase loans to moderate-income borrowers is slightly below the percentage of moderate-income families, the origination of home purchase loans to low-income borrowers exceeds the percentages of low-income families in the AA.

<b>Distribution of Lending by Borrower Income Level</b>					
	Home Mortgage Loans – Home Improvement Stark County MSA				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	29	29.00	482	21.74	19.75
Moderate	24	24.00	496	22.37	20.42
Middle	33	33.00	910	41.05	24.77
Upper	14	14.00	329	14.84	35.05

Source: 2004 through 2006 HMDA data and 2000 US Census data.

CNBs distribution of home improvement loans reflects excellent penetration among individuals of different income levels.

CNBs origination of home improvement loans to low-and moderate -income borrowers significantly exceeds the percentage of low-and moderate-income families.

<b>Distribution of Lending by Borrower Income Level</b>					
	Home Mortgage Loans – Refinancing Stark County MSA				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	26	19.40	1,004	10.36	19.75
Moderate	37	27.61	1,934	19.96	20.42
Middle	32	23.88	2,586	26.69	24.77
Upper	39	29.11	4,166	42.99	35.05

Source: 2004 through 2006 HMDA data and 2000 US Census data.

CNBs distribution of home refinance loans reflects excellent penetration among individuals of different income levels.

CNBs origination of home refinance loans to low-income borrowers is near to the percentage of low-income families. CNBs origination of home refinance loans to moderate -income borrowers significantly exceeds the percentage of moderate-income families.

Lending to businesses of different sizes is excellent. To determine this performance, we selected a sample of twenty small business loans of which fourteen were made in this AA. All fourteen loans were made to businesses with gross annual revenues less than \$1 million representing 100 percent of loans in the sample. CRA Wiz data for businesses in the AA that reported revenue indicated 65 percent of those businesses had gross annual revenues less than or equal to \$1 million. In addition, 9 of the 14 loans were made to businesses with gross annual revenues <\$100,000, which was an identified community credit need for this AA.

**Columbiana - Tuscarawas Non- MSA** Overall lending to borrowers of different income levels is good and reflects reasonable penetration. Overall lending to businesses of different sizes is excellent and reflects excellent penetration. The tables below detail the bank's lending to borrowers of different income levels and businesses of different sizes during the evaluation period.

<b>Distribution of Lending by Borrower Income Level</b>					
	Home Mortgage Loans - Purchase Columbiana – Tuscarawas Non-MSA				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	5	16.67	178	8.22	17.33
Moderate	4	13.33	167	7.71	20.68
Middle	7	23.33	544	25.13	25.17
Upper	14	46.67	1,276	58.94	36.82

Source: 2004 through 2006 HMDA data and 2000 US Census data.

CNBs distribution of home purchase loans reflects good penetration among individuals of different income levels.

Although CNB's origination of home purchase loans to moderate-income borrowers is below the percentage of moderate-income families, the origination of home purchase loans to low-income borrowers is near to the percentage of low-income families in the AA.

<b>Distribution of Lending by Borrower Income Level</b>					
	Home Mortgage Loans – Home Improvement Columbiana – Tuscarawas Non-MSA				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	12	28.57	89	9.85	17.33
Moderate	10	23.81	207	22.90	20.68
Middle	13	30.95	392	43.36	25.17
Upper	7	16.67	216	23.89	36.82

Source: 2004 through 2006 HMDA data and 2000 US Census data.

CNBs distribution of home improvement loans reflects excellent penetration among individuals of different income levels.

CNBs origination of home improvement loans to low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income families.

<b>Distribution of Lending by Borrower Income Level</b>					
	Home Mortgage Loans – Refinancing Columbiana – Tuscarawas Non-MSA				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	14	22.22	793	16.57	17.33
Moderate	9	14.29	308	6.43	20.68
Middle	17	26.98	737	15.40	25.17
Upper	23	36.51	2,949	61.60	36.82

Source: 2004 through 2006 HMDA data and 2000 US Census data.

CNBs distribution of home refinance loans reflects good penetration among individuals of different income levels.

Although CNBs origination of home refinance loans to moderate-income borrowers is below the percentage of low-income families, the origination of home refinance loans to low-income borrowers significantly exceeds the percentage of low- and moderate-income families.

Lending to businesses of different sizes is excellent. To determine this performance, we selected a sample of twenty small business loans of which five were made in this AA. All five loans were made to businesses with gross annual revenues less than \$1 million representing 100 percent of loans in the sample. CRA Wiz data for businesses

in the AA that reported revenue indicated 62 percent of those businesses had gross annual revenues less than or equal to \$1 million. In addition, four of the five loans were made to businesses with gross annual revenues < \$100,000, which was an identified community credit need for this AA.

**Geographic Distribution of Loans**

CNB’s geographic distribution for home mortgage and small business lending is adequate.

We considered the following factors in assessing the bank’s lending performance in low- and moderate-income geographies. For home mortgage loans, our review focused on the bank’s lending performance relative to the level of owner-occupied units in low- and moderate-income geographies. For small business loans, our review focused on the bank’s lending performance relative to the percentages of businesses located within low- and moderate-income geographies.

**Canton-Massillon OH MSA 15940** – The bank's geographic distribution of home mortgage loans reflects adequate performance. The bank's distribution of home mortgage loans is between a third and a half of the distribution of the percentage of households in low- and moderate-income census tracts.

Although the bank’s origination of home mortgage loans falls below the percentage of owner-occupied housing in this AA, this performance is considered adequate given the following facts: (1) The AA has less than one and a half percent of its owner-occupied housing units in low-income geographies. (2) Rental properties in this AA comprise approximately twenty-seven per cent of all housing units of the AA and approximately seven per cent of housing units are vacant. (3) Competition is keen especially with large regional banks and mortgage companies who made the majority of loans in this AA ; and (4) CNB only has 0.42% of the market share among 284 lenders who made loans during this evaluation period. In addition, although CNB does not have branches in moderate-income tracts, these customers are serviced by other bank branches within those geographies making it difficult to penetrate this market.

	HMDA Geographic Distribution -- Canton-Massillon OH MSA 15940								Percentage of Owner-Occupied in AA
	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans* **		
	# of loans	% # of loans	# of loans	% # of loans	# of loans	%# of loans	# of loans	% # of loans	
<b>Low</b>	0	0	1	1.00	1	.75	2	.66	1.39
<b>Moderate</b>	4	5.71	9	9.00	8	5.97	21	6.91	16.71
<b>Middle</b>	64	91.43	89	89.00	122	91.04	275	90.46	67.39
<b>Upper</b>	2	2.86	1	1.00	3	2.24	6	1.97	14.51

Source: 2004 through 2006 HMDA data and 2000 US Census data.

The bank's geographic distribution of small business loans reflects adequate

performance for its AA. Although the bank did not originate any small business loans (from our sample) within low-income geographies and only 2 loans within a moderate-income geography for this AA, this performance is considered adequate given the following facts: (1) There are no bank branches located in either of the low- and moderate-income geographies comprising this AA. (2) Sixty-three percent of the bank’s AA is comprised of middle income geographies where over 58 percent of the AA’s non-farm businesses are located. (3) Competition is keen and CNB only has 0.42% of the loan market share.

<b>Geographic Distribution of Lending</b>					
	Small Business Loans – Canton-Mass MSA				Percentage of Non-Farm <i>Businesses</i> in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	0	00.00	00.00	00.00	5.08
Moderate	2	14.29	224	12.02	22.03
Middle	9	64.29	723	38.81	62.71
Upper	3	21.43	916	49.17	10.17
Total	14	100.00	2,578	100.00	100.00

Source: Small business data based on a sample of 20 loans originated during the evaluation period and 2000 US Census data.

An evaluation of the geographic distribution loans is not meaningful in the Columbiana-Tuscararus Non-MSA AA as there are no low- or moderate-income tracts in these AAs.

**Responses to Complaints**

CNB has not received any written complaints regarding its performance meeting the credit and deposit needs of its AA during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

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