



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 13, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Consumers National Bank
Charter Number 15543**

**614 East Lincoln Way
Minerva, OH 44657**

**Comptroller of the Currency
Adc - Northern Ohio
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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.

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GENERAL INFORMATION

The Community Reinvestment act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Consumers National Bank** prepared by *The Office of the Comptroller of the Currency*, the institution's supervisory agency, as of **August 13, 2001**. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 CFR part 25. The last CRA performance evaluation for this institution was prepared February 18, 1997 and resulted in a "Satisfactory" evaluation.

INSTITUTION'S CRA RATING

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

While the bank's overall performance, during the review period, was sufficient to maintain a satisfactory rating, CNB's record of lending to businesses within different geographic income levels does not reflect the demographics of the bank's assessment area.

- The bank's quarterly loans to deposit ratios meet the standards for satisfactory performance.
- The bank's record of lending within its assessment area exceeds the standard for satisfactory performance.
- The bank's lending performance to borrowers of different income levels within its assessment area meets the standards of satisfactory performance.
- No consumer complaints have been filed regarding the bank's performance under the Community Reinvestment Act.
- Bank management has implemented a new residential mortgage product designed to address specific low- and moderate-income needs within its assessment area.

DESCRIPTION OF INSTITUTION

Consumers National Bank (CNB) is headquartered in Minerva, Ohio, which is located in the Canton-Massillon MSA 1320. CNB is a wholly-owned subsidiary of Consumers Bancorp, Inc. The holding company is also located in Minerva, Ohio with assets totaling \$172 million. As of June 30, 2001, CNB reported total assets of \$171 million. Since the previous evaluation, the bank has opened a finance company (Community Finance) to service sub-prime borrowers in its assessment area. The finance company is a subsidiary of the bank and its assets are incorporated into the bank's call report data.

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 June 30, 2001, net loans represent 76% of total assets and consist of primarily real estate loans (73% of average gross loans (AGL)). Commercial and consumer loans represent 11% and 14% of AGL, respectively. Agricultural and other loans comprise the remaining 2% of AGL. Broken down by product line, 1-4 family residential real estate represents 43% of AGL and commercial real estate represents 11% of AGL.

The bank operates five full-service branches in Stark County, three in Columbiana County and one in Carroll County. The Community Finance office is located in Columbiana County. Since the previous examination, CNB has acquired one new branch location (Lisbon) and opened two branch offices (Louisville and East Canton). The opening of the East Canton branch was a direct response to a community request to CNB. In 2000, Bank One announced the closing of its East Canton branch, which would leave the East Canton community without a financial institution. Local community groups petitioned CNB to open a branch in the community to meet its banking needs. CNB responded by opening a mobile branch prior to Bank One's closing and subsequently building a permanent office in the East Canton neighborhood. The opening of the Louisville branch was intended to provide the community with a banking alternative. While there are several large financial institutions in Louisville, CNB is now the only community bank in that location. CNB has not closed or relocated a branch office since the previous examination.

All of CNB's full-service branches offer drive-up facilities and ATMs. In addition to the branch ATMs, CNB owns one ATM located in a convenience grocery store in Salem.

CNB has historically been primarily a retail bank making home mortgage and consumer loans. Agricultural lending is not a primary business line of the bank.

Conclusions regarding the Performance Criteria are based on data collected for calendar years 1997 through 2000. The evaluation of the bank's performance includes HMDA-reportable, small business and consumer originations within its assessment area.

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.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of eighty-four census tracts, which are portions of the Canton-Massillon MSA 1320, Youngstown-Warren MSA 9320 and two census tracts in Tuscarawas County, a non-MSA area.

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Canton-Massillon MSA 3120

CNB operates within fifty-two census tracts in Stark County and all seven census tracts in Carroll County. Of these geographies, 5 (8%) are low-income, 11 (19%) are moderate-income, 38 (65%) are middle-income and 5 (8%) are upper-income. The current AA reflects an increase to the bank's AA of 391%. In 2000, the bank expanded its AA to include an additional forty-seven census tracts surrounding the Louisville and East Canton branches. All of the low- and moderate-income tracts were added to the AA in 2000.

The Department of Housing and Urban Development's updated median family income for 2000 is \$32,421. The 1990 Census Bureau lists the AA population at 269,399, which comprises 74,092 families. Of these families, 20% are low-income, 19% are moderate-income, 26% are middle-income and 35% are upper-income. Thirty-two percent of the household income in the AA is derived from social security. Households with incomes below the poverty level are 13%, with 9% on public assistance. Housing units consist of 64% owner-occupied. The housing units are primarily 1-4 family, with an average housing age of 45 years and a median housing value of \$51,557. Interviews with local community groups indicate that the housing programs are a primary credit need for low- and moderate-income residents. Specifically, their needs include down payment assistance and emergency home repair.

As of May 2001, the Stark County and Carroll County unemployment rates were 3.4% and 3.7% respectively. Both were slightly below the Ohio adjusted unemployment rate of 4.0%. Over the length of the evaluation period, unemployment trends have remained relatively stable with only slight fluctuations. The local economy is supported by service, retail trade and manufacturing entities. Business demographics for 2000 indicate that 87% of the businesses in the AA reported gross annual revenues under \$1 million dollars. Of those, 79% reported revenues under \$500,000. Interviews with a local economic development group indicate that sources for small business funding and infrastructure

improvements are the primary needs of the AA.

CNB faces strong competition within its assessment area. Market share reports for the AA show over one hundred different financial entities originating home mortgage loans within Stark and Carroll counties. These include branches of large institutions such as FirstMerit, Bank One, Key Bank and Charter One, credit unions and several mortgage or finance companies.

Youngstown-Warren MSA 9320

CNB operates within nineteen census tracts in Columbiana County and six census tracts in Mahoning County. Of these geographies, 0 (0%) are low-income, 2 (8%) are moderate-income, 23 (92%) are middle-income and 0 (0%) are upper-income. The current AA reflects an increase to the bank's AA of 47%. In 2000, the bank expanded its AA to include an additional low-income tract and seven middle-income census tracts in Columbiana County after acquiring the Lisbon branch.

The Department of Housing and Urban Development's updated median family income for 2000 is \$30,605. The 1990 Census Bureau lists the AA population at 121,179, which comprises 34,366 families. Of these families, 20% are low-income, 20% are moderate-income, 26% are middle-income and 34% are upper-income. Thirty-one percent of the household income in the AA is derived from social security. Households with incomes below the poverty level are 13%, with 7% on public assistance. Housing units consist of 73% owner-occupied. The housing units are primarily 1-4 family, with an average housing age of 44 years and a median housing value of \$47,657. Interviews with local community groups indicate that the housing programs are a primary credit need for low- and moderate-income residents. Specifically, their needs include first time home-buyers and down payment assistance programs.

As of May 2001, the Columbiana County and Mahoning County unemployment rates were 5.1% and 5.0% respectively. Both were above the Ohio adjusted unemployment rate of 4.0%. Over the length of the evaluation period, unemployment trends have remained relatively stable with only slight fluctuations. The local economy is supported by service, retail trade and light industrial entities. Business demographics for the 2000 indicate that 87% of the businesses in the AA reported gross annual revenues under \$1 million dollars.

Of those, 81% reported revenues under \$500,000. Interviews with a local government economic development agency indicate that small business funding is the primary need of the AA.

CNB faces moderate competition within its assessment area. Market share reports for the AA show over sixty different financial entities originating home mortgage loans within Columbiana and Mahoning counties. These include branches of large institutions such as Sky Bank, Bank One, National City, Key Bank and Home Savings & Loan, credit unions and several mortgage or finance companies.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LOAN TO DEPOSIT RATIO

Consumers National Bank's loan to deposit ratio exceeds the standards for satisfactory performance. As of the time of the evaluation, Call Report data for 1997 was unavailable. Loan to deposit conclusions were based on twelve quarters of data from 2Q98 through 1Q01. Using call report information, CNB's average loan to deposit ratio is 82%. This ratio has remained stable throughout the evaluation period, with no notable fluctuations since the previous evaluation. The loan to deposit ratio for peer banks during the same time frame is 74%. No financial institutions of similar size operate within the bank's assessment area. Therefore, a comparison of peer banks was based on a national peer group of banks of similar size.

LENDING IN ASSESSMENT AREA

Consumers National Bank's record of lending within its assessment area exceeds the standards for satisfactory performance. The bank made a substantial majority of its residential real estate, consumer and small business loans within its assessment area. This Public Evaluation covers the bank's lending activity of HMDA, consumer and small business loans originated for the period January 1997 through December 2000. For the evaluation period, the bank originated 90% of its HMDA, 90% of its consumer and 95% of its small business loans within the assessment area.

Record of Lending within Assessment Area								
	Within Assessment Area				Outside Assessment Area			
	#	%	\$	%	#	%	\$	%
HMDA Loans Total	1139	90%	62224	89%	120	10%	7690	11%
Purchase	366	87%	25502	85%	55	13%	4642	15%
Home Improvement	273	93%	5625	93%	22	7%	407	7%
Refinance	500	92%	31097	92%	43	8%	2641	8%
Consumer Loans	18	90%	179	93%	2	10%	13	7%
Small Business Loans	19	95%	3471	96%	1	5%	152	4%
Total Loans	1176	91%	65874	89%	123	9%	7855	11%

1. Dollar amount are as thousands.

2. HMDA totals based on all HMDA loans reported by CNB for years 1997-2000

3. Consumer and small business data based on a sample of 20 loans originated during the evaluation period.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The borrower distribution of CNB's home mortgage, consumer and small business loans reflects a satisfactory dispersion among borrowers of different income levels throughout the assessment area. The evaluation of borrower distribution of CNB's loans takes into

consideration the significant competition and number of larger financial institutions within the area, a 63% increase in the bank's assessment area geographies during 2000 and lending needs of the AA. Conclusions regarding the borrower loan distribution are based on the bank's comprehensive performance for all product types throughout all demographic categories.

Canton-Massillon MSA 1320

CNB's record of lending to borrowers of different incomes and to businesses of different sizes within the Canton-Massillon MSA 1320 is satisfactory.

Residential mortgage loan borrower distribution is good. The portion of home purchase and refinance loans made to low-income borrowers in the AA is lower than the portion of families that are defined as such. The portion of home improvement loans made to low-income borrowers in the AA is near to the portion of low-income families and considered reasonable. For all three residential mortgage loan categories, the portion of CNB's loans made to moderate-income borrowers exceeds the portion of these families within the AA.

HMDA BORROWER DISTRIBUTION						
	Home Purchase		Home Improvement		Refinance	
	% bank loans	% families	% bank loans	% families	% bank loans	% families
Low	11.36%	20.42%	15.66%	20.42%	8.99%	20.42%
Moderate	20.83%	19.32%	32.53%	19.32%	29.16%	19.32%
Middle	29.17%	25.84%	27.71%	25.84%	29.16%	25.84%
Upper	37.88%	34.43%	23.49%	34.43%	32.43%	34.43%

*Based on 2000 HUD income and demographic data

Consumer loan distribution among borrowers of different income levels is good. Although the portion of consumer loans to low-income borrowers is lower than the portion of families defined as such, CNB's loans to moderate-income borrowers significantly exceeds the portion of these families within the AA.

CONSUMER LOAN BORROWER DISTRIBUTION					
	% families	# bank loans	% bank loans	\$ bank loans	% bank loans
Low	20.42%	2	10.00%	23	10.80%
Moderate	19.32%	8	40.00%	55	25.82%
Middle	25.84%	6	30.00%	67	31.46%
Upper	34.42%	4	20.00%	68	31.92%

*Consumer data based on a sample of 20 loans originated during the evaluation period.

Small business loan distribution is good. The dispersion of small business loans originated by CNB during the evaluation period indicates that a substantial majority of these loans were for amounts under \$100,000. The portion of loans made to businesses with annual revenues under \$1 million dollars exceeds the portion of businesses in the AA defined as such (87%). Of the sample used for the evaluation, 95% of the business loans within the

bank's AA meet the definition of a small business loan.

DISTRIBUTION OF BUSINESS LOANS BY REVENUES				
Revenues	Number of Loans	% of Loans	Loan Dollars (000)	% of Loans
<\$100,000	11	55.00%	1105	23.07%
>\$100,000-<\$250,000	3	15.00%	1558	32.54%
>\$250,000-<\$500,000	4	20.00%	1475	30.79%
>\$500,000-<\$1,000,000	1	5.00%	469	9.79%
>\$1,000,000	1	5.00%	182	3.81%

*Small business data based on a sample of 20 loans originated during the evaluation period.

Youngstown-Warren MSA 9320

CNB's record of lending to borrowers of different incomes and to businesses of different sizes within the Youngstown-Warren MSA 9320 is satisfactory.

Residential mortgage loan borrower distribution is good. The portion of home purchase and refinance loans made to low-income borrowers in the AA is lower than the portion of families that are defined as such. The portion of home improvement loans made to low-income borrowers in the AA meets the portion of low-income families. For home purchase and home improvement loan categories, the portion of CNB's loans made to moderate-income borrowers significantly exceeds the portion of these families within the AA. Refinance loans to moderate-income borrowers meets the portion of families that are defined as such.

HMDA BORROWER DISTRIBUTION*						
	Home Purchase		Home Improvement		Refinance	
	% bank loans	% families	% bank loans	% families	% bank loans	% families
Low	11.76%	20.01%	18.69%	20.01%	12.03%	20.01%
Moderate	30.39%	19.48%	27.10%	19.48%	18.05%	19.48%
Middle	21.57%	25.89%	25.23%	25.89%	35.34%	25.89%
Upper	34.31%	34.32%	27.10%	34.32%	34.59%	34.32%

*Based on 2000 HUD income and demographic data

Consumer loan distribution among borrowers of different income levels is good. Although the portion of consumer loans to low-income borrowers is lower than the portion of families defined as such, CNB's loans to moderate-income borrowers meets the portion of these families within the AA.

CONSUMER LOAN BORROWER DISTRIBUTION					
	% families	# bank loans	% bank loans	\$ bank loans	% bank loans
Low	20.01%	1	5.00%	4	1.75%
Moderate	19.48%	4	20.00%	54	23.68%
Middle	25.89%	7	35.00%	81	35.53%
Upper	34.32%	8	40.00%	89	39.04%

Small business loan distribution is good. The dispersion of small business loans originated

by CNB during the evaluation period indicates that a substantial majority of these loans were for amounts under \$100,000. The portion of loans made to businesses with annual revenues under \$1 million dollars exceeds the portion of the businesses in the AA defined as such (87%). Of the sample used for the evaluation, 90% of the business loans within the bank's AA meet the definition of a small business loan.

DISTRIBUTION OF BUSINESS LOANS BY REVENUES				
Revenues	Number of Loans	% of Loans	Loan Dollars (000)	% of Loans
<\$100,000	10	50.00%	1105	42.21%
>\$100,000-<\$250,000	6	30.00%	1558	41.73%
>\$250,000-<\$500,000	2	10.00%	1475	9.72%
>\$500,000-<\$1,000,000	0	0.00%	469	0.00%
>\$1,000,000	2	10.00%	182	6.34%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of CNB's home mortgage, consumer and small loans to businesses reflects a satisfactory penetration throughout the assessment area geographies. The evaluation of borrower distribution of CNB's loans takes into consideration the significant competition and number of larger financial institutions within the area, a 63% increase in the bank's assessment area geographies during 1999-2000 and lending needs of the AA. Conclusions regarding the geographic loan distribution are based on the bank's comprehensive performance for all product types throughout all demographic categories.

Canton-Massillon MSA 1320

CNB's record of lending to geographies of different income levels within the Canton-Massillon MSA 1320 is satisfactory.

Residential mortgage loan distribution among geographies of different income levels is good. For all home mortgage categories, the portion of loans made within low-income geographies is near to the percentage of owner-occupied units within the same and considered reasonable. The portion of home purchase loans made within moderate-income geographies is near to the percentage of owner-occupied units within the same and is also considered reasonable. Although the portion of home improvement loans originated within moderate-income geographies is lower than the percentage of owner-occupied units within the same, CNB's performance is considered reasonable given low volume of home improvement loans originated within the AA. During the evaluation period, only one hundred sixty home improvement loans were originated by twenty-six financial entities.

Also during the evaluation, one-third of CNB's multi-family residential loan originations were for properties located within low- and moderate-income geographies. The portion

of CNB multi-family loans in low- and moderate-income geographies is 7.69% and 23.08% respectively.

A review of CNB loan originations by tract identified five Stark County census tracts with no loan activity. These five were comprised of, 2 low-income, two middle-income and one upper-income census tracts. Demographics for the two low-income tracts indicate a lack of home mortgage lending opportunity in these areas. Only 34% of the residences in these census tracts are owner-occupied and 45% of the residents are listed as below the poverty level for the MSA, with 33% relying on public assistance.

HMDA GEOGRAPHIC DISTRIBUTION*						
	Home Purchase		Home Improvement		Refinance	
	% bank loans	% owner-occupied	% bank loans	%owner-occupied	% bank loans	% owner-occupied
Low	0.38%	2.80%	0.60%	2.80%	0.54 %	2.80%
Moderate	7.95%	14.69%	1.20%	14.69%	2.45%	14.69%
Middle	90.53%	71.54%	96.99%	71.54%	95.91%	71.54%
Upper	1.14%	10.97%	1.20%	10.97%	1.09%	10.97%

*Based on 2000 HUD income and demographic data

Consumer loan distribution among geographies of different income levels is adequate. The portion of consumer loans made within low-income geographies is lower than the portion of households within the same. The portion of consumer loans made within moderate-income geographies is near to the portion of households within the same and is considered reasonable.

CONSUMER LOAN GEOGRAPHIC DISTRIBUTION					
	% households	# bank loans	% bank loans	\$ bank loans	% bank loans
Low	5.57%	0	0.00%	0	0.00%
Moderate	16.68%	2	10.00%	7	3.29%
Middle	66.42%	18	90.00%	206	96.71%
Upper	11.33%	0	0.00%	0	0.00%

Small business loan distribution among geographies of different income levels is adequate. The portion of small business loans made within low-income geographies is lower than the portion of total small businesses within the same. The portion of small business loans made within moderate-income geographies is near to the portion of total small businesses within the same and is considered reasonable.

GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS					
Tract Income Level	% Total Businesses	# Bank Loans	% of Bank Loans	\$ Bank Loans (000)	% of Bank Loans
Low	9.98%	0	0.00%	0	0.00%
Moderate	11.93%	2	10.00%	235	4.91%
Middle	59.23%	17	85.00%	4054	84.65%
Upper	18.86%	1	5.00%	500	10.44%

Youngstown-Warren MSA 9320

CNB's record of lending to geographies of different income levels within the Youngstown-

Warren MSA 9320 is satisfactory.

Residential mortgage loan distribution among geographies of different income levels is good. Although the portion of home mortgage loans originated within moderate-income geographies is lower than the percentage of owner-occupied units within the same, CNB's performance is considered reasonable given the competition within the AA. During the evaluation period, home mortgage lending in the AA was dominated by Sky Bank, Bank One and Home Savings & Loan. Combined, these three institutions captured approximately 35% of the home mortgage market. The remaining 65% is divided among over one hundred entities, each captured 1%-2% of the home mortgage market. There are no low-income geographies in the AA.

A review of CNB loan originations by census tract identified five Columbiana County and 3 Mahoning County census tracts with no loan activity. All eight tracts are middle-income tracts, five of which were added to the bank's AA during 2000.

HMDA GEOGRAPHIC DISTRIBUTION*						
	Home Purchase		Home Improvement		Refinance	
	% bank loans	% owner-occupied	% bank loans	% owner-occupied	% bank loans	% owner-occupied
Low	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Moderate	0.98%	7.27%	0.93%	7.27%	0.75%	7.27%
Middle	99.73%	92.73%	99.07%	92.73%	99.25%	92.73%
Upper	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*Based on 2000 HUD income and demographic data

Consumer loan distribution among geographies of different income levels is good. The portion of consumer loans made within moderate-income geographies is near to the portion of households within the same and is considered reasonable. There are no low-income geographies in the AA.

CONSUMER LOAN GEOGRAPHIC DISTRIBUTION					
	% households	# bank loans	% bank loans	\$ bank loans	% bank loans
Low	0.00%	0	0.00%	0	0.00%
Moderate	8.38%	1	5.00%	8	3.51%
Middle	91.62%	19	95.00%	220	96.49%
Upper	0.00%	0	0.00%	0	0.00%

Small business loan distribution among geographies of different income levels is poor. During the evaluation period, the bank did not originate any small business loans within moderate-income geographies. There are no low-income geographies in the AA.

GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS					
Tract Income Level	% Total Businesses	# Bank Loans	% of Bank Loans	\$ Bank Loans (000)	% of Bank Loans
Low	0.00%	0	0.00%	0	0.00%
Moderate	8.16%	0	0.00%	0	0.00%
Middle	91.84%	20	100.00%	1450	100.00%
Upper	0.00%	0	0.00%	0	0.00%

PRODUCT FLEXIBILITY

Product flexibility had a positive impact on the Performance Criteria conclusion for the bank.

CNB is neither a secondary-market approved lender nor does the bank's personnel possess the expertise to conduct secondary-market transactions. To accommodate borrowers who qualify for these loans, CNB has contracted with Community Mortgage Network for secondary-market referrals.

Additionally, during the course of the evaluation, the bank established a new Home Loan Assist program for low-income borrowers. The new program works in coordination with housing agencies in Stark, Carroll and Columbiana counties to provide down payment and closing cost assistance to qualified borrowers. This program is a fixed-rate product and is not limited to first-time home buyers. As this program was established during the CRA evaluation, no data was available for review.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

An analysis of four years public comment and consumer complaints in addition to an analysis of HMDA and Small Business lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

RESPONSE TO COMPLAINTS

No complaints have been filed regarding the bank's CRA performance during this evaluation period.