

PUBLIC DISCLOSURE

March 17, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CSB Bank
RSSD# 614340

206 North Main Street
Capac, Michigan 48014

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

CSB Bank is rated Satisfactory.

The bank provides credit within its assessment area in a manner consistent with its size, location, and local economic conditions. The average loan-to-deposit ratio is reasonable considering the characteristics of the bank, its competitors, and the credit needs within the assessment area. A majority of the bank's HMDA (Home Mortgage Disclosure Act)-reportable and small business loans are made inside its assessment area. The geographic distribution of loans indicates a reasonable dispersion among the census tracts within the assessment area, and the bank's lending reflects a reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. In addition, no CRA-related complaints were received by the bank or the Federal Reserve Bank of Chicago since the previous evaluation.

SCOPE OF EXAMINATION

The performance evaluation of CSB Bank was conducted using the Federal Financial Institutions Examination Council's Small Bank CRA Evaluation Procedures. The performance evaluation included a review of lending performance in the bank's designated assessment area, which consists of 34 census tracts in portions of Lapeer, Macomb, and St. Clair Counties within the Warren-Troy-Farmington Hills, Michigan Metropolitan Division (MD) #47644 and two tracts located in non-metropolitan Sanilac County, which is a county contiguous to, but outside of, the MD.

Performance in the assessment area was evaluated based on the following criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio from March 31, 2010 to December 31, 2013 was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable and small business loans originated from January 1, 2011 to December 31, 2012 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's HMDA-reportable and small business loans originated in the assessment area from January 1, 2011 to December 31, 2012 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.
- ***Lending to Borrowers of Different Incomes and to Businesses of Different Sizes*** - The bank's HMDA-reportable and small business loans originated in the assessment area from

January 1, 2011 to December 31, 2012, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.

- **Response to Substantiated Complaints** – The bank or this Reserve Bank has not received any CRA-related complaints since the previous evaluation.

In addition to the above criteria, two community representatives were interviewed to gain a better understanding of the credit needs of the community.

DESCRIPTION OF INSTITUTION

CSB Bank is a small bank headquartered in Capac, Michigan and is the sole subsidiary of Capac Bancorp. As of December 31, 2013, the bank reported assets of \$231.1 million based on the Uniform Bank Performance Report. The bank’s main office in Capac is located approximately 75 miles north of Detroit, Michigan and 40 miles east of Flint, Michigan. The bank operates eight offices serving St. Claire, Lapeer, and Macomb Counties. Customers may also conduct online banking transactions through the institution’s website at <http://www.csbbank.com>.

The bank is predominantly a residential real estate lender, as these loans comprised 66.0 percent of total loans as of December 31, 2013. The bank also extends commercial loans, which equaled 28.2 percent of loans and agricultural and consumer loans which together totaled 5.5 percent of loans at December 31, 2013. The bank’s deposit products include interest and non-interest bearing checking and savings accounts, money market demand accounts, negotiable orders of withdrawal, and certificates of deposit.

Composition of Loan Portfolio as of December 31, 2013 (000's)			
Category	Type	\$	%
Real Estate Secured Loans	Residential	71,199	66.0
	Agricultural	2,373	2.2
	Commercial	25,238	23.4
	Total Real Estate Secured	98,810	91.6
Non-Real Estate Secured Loans	Agricultural	1,345	1.2
	Commercial	5,188	4.8
	Consumer	2,222	2.1
	Other Loans	373	0.3
	Total	107,938	100.0

Note: Percentages may not total to 100.0 percent due to rounding.

There are no known legal, financial or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on March 15, 2010.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WARREN-TROY-FARMINGTON HILLS, MICHIGAN MD #47644

CSB Bank’s assessment area is comprised of 36 census tracts, including 11 census tracts in Lapeer County; eight census tracts in Macomb County; two census tracts in Sanilac County; and 15 census tracts in St. Clair County. The assessment area has not changed since the previous CRA evaluation. The assessment area contains nine moderate-income and 27 middle-income tracts. Census tracts in Lapeer, Macomb and St. Clair Counties are located in the Warren-Troy-Farmington Hills, Michigan Metropolitan Division (MD), while the two census tracts in Sanilac County are located in a non-Metropolitan Statistical Area contiguous to the Lapeer County and St. Clair County portions of the assessment area. At the time of the 2000 U.S. Census, the assessment area had one upper-income census tract, 26 middle-income census tracts and nine moderate-income census tracts. Five, or 13.9 percent, of the bank’s census tracts changed income levels between the 2000 and 2010 Census periods; two of the census tracts moved to higher income levels and three declined.

The bank operates eight branch offices with a full-service ATM at each branch location; all branches are in the MD portion of the assessment area. Since the previous evaluation, the bank has not closed any branches or removed any ATMs. The following tables present a comparison of the bank’s branch and ATM locations to relevant assessment area demographic characteristics from the 2000 and 2010 U.S. Censuses. The bank operates four branches in moderate-income tracts and four branches in middle-income tracts. Since the 2000 U.S. Census, the census tract income level for the bank’s Allenton branch changed from middle-income to moderate-income.

Distribution of Branches and ATMs in the Assessment Area (2000 Census)						
Tract Income Level	Number of Branches	Percentage of Branches	Number of ATMs	Percentage of ATMs	Percentage of Total Families	Percentage of Businesses
Low-Income	0	0.0	0	0.0	0.0	0.0
Moderate-Income	3	37.5	3	37.5	24.9	26.6
Middle-Income	5	62.5	5	62.5	72.0	69.3
Upper-Income	0	0.0	0	0.0	3.1	4.1
Total	8	100.0	8	100.0	100.0	100.0

Distribution of Branches and ATMs in the Assessment Area (2010 Census)						
Tract Income Level	Number of Branches	Percentage of Branches	Number of ATMs	Percentage of ATMs	Percentage of Total Families	Percentage of Businesses
Low-Income	0	0.0	0	0.0	0.0	0.0
Moderate-Income	4	50.0	4	50.0	25.3	26.3
Middle-Income	4	50.0	4	50.0	74.7	73.7
Upper-Income	0	0.0	0	0.0	0.0	0.0
Total	8	100.0	8	100.0	100.0	100.0

Combined Demographics Report, 2010 Census Data

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	8,194	21.7
Moderate-income	9	25.0	9,528	25.3	976	10.2	8,539	22.6
Middle-income	27	75.0	28,206	74.7	1,760	6.2	9,646	25.6
Upper-income	0	0.0	0	0.0	0	0.0	11,355	30.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	36	100.0	37,734	100.0	2,736	7.3	37,734	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	13,855	10,384	24.0	74.9	2,304	16.6	1,167	8.4
Middle-income	39,462	32,969	76.0	83.5	3,764	9.5	2,729	6.9
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	53,317	43,353	100.0	81.3	6,068	11.4	3,896	7.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	1,755	26.3	1,607	25.8	77	32.2	71	33.8
Middle-income	4,914	73.7	4,613	74.2	162	67.8	139	66.2
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	6,669	100.0	6,220	100.0	239	100.0	210	100.0
Percentage of Total Businesses:			93.3		3.6		3.1	

Based on 2012 D&B information according to 2010 ACS Boundaries.
Percentages may not add to 100 percent based on rounding.

A discussion of 2000 and 2010 U.S. Census demographic information follows, with data on population information, income characteristics, housing and employment provided. The 2000 U.S. Census demographic data is provided in Appendix A.

Population Characteristics

According to the 2010 U.S. Census, the population in the assessment area is 138,585. The following table reflects the change in population within the assessment area from 2000 to 2010. Macomb County experienced the highest growth rate from 2000 to 2010. Macomb is the third most populated county in Michigan with nearly 841,000 residents and has experienced strong growth due to its large and diverse economy. Outside Macomb County, the remaining assessment area counties experienced minimal population growth, or shrinkage between Census periods indicating a large portion of the population growth in the assessment area is occurring in Macomb County.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Assessment Area	131,861	138,585	5.1
Lapeer County	87,904	88,319	0.5
Macomb County	788,149	840,978	6.7
Sanilac County	44,547	43,114	-3.2
St. Clair County	164,235	163,040	-0.7
Warren-Troy-Farmington Hills, MI MD	2,391,395	2,475,666	3.5
State of Michigan	9,938,444	9,883,640	-0.6

Source: 2000 and 2010 – U.S. Census Bureau: Decennial Census

Income Characteristics

The following table compares income levels for the assessment area to the individual counties, the MD and the state. The median family income of \$67,767 in the assessment area is lower than the MD, but above the state-wide median family income. Median family income increased 5.9 percent between the 2000 U.S. Census and the 2006-2010 American Community Survey, reflecting a growth rate approximating the state-wide growth rate, and higher than the Warren-Troy-Farmington Hills MD. U.S. Census data from 2010 also indicates 7.3 percent of families in the assessment area are below the poverty level, while 44.3 percent of families are considered low- and moderate-income. This is a slight increase from the 2000 U.S. Census period, when 3.9 percent and 41.9 percent of families had income below the poverty level or were low- and moderate-income, respectively. The increase in families below the poverty level and low- and moderate-income families could negatively impact consumers' ability to qualify for loans.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income (\$)	2006-2010 Median Family Income (\$)	Percentage Change (%)
Assessment Area	59,996	63,767	5.9
Lapeer County	57,817	63,061	9.1
Macomb County	62,816	67,423	7.3
Sanilac County	42,306	49,005	15.8
St. Clair County	54,450	59,969	10.1
Warren-Troy-Farmington Hills, MI MD	67,923	75,314	10.9
State of Michigan	53,457	60,341	12.9

Source: 2000—U.S. Census Bureau Decennial Census; 2006-2010 American Community Survey

Housing Characteristics

The table below compares trends in housing costs in the assessment area to the individual counties, the MD and the state. According to 2010 U.S. Census data, 81.3 percent of the housing units in the assessment area are owner-occupied, with 24.0 percent of owner-occupied units located in low- or moderate-income geographies, approximating the 2000 U.S. Census data distributions. The median housing value in the assessment area is \$168,059, which is 94.6 percent of the MD median housing value. Rental housing is somewhat more affordable in relation to MD rents, at \$717 per month, which is 88.3 percent of Metropolitan Division rent of \$812. The assessment area's median gross rent is very close to the state-wide value of \$723 per month.

Trends in Housing Costs 2000 and 2006-2010				
Location	2000 Median Housing Value (\$)	2006-2010 Median Housing Value (\$)	2000 Median Gross Rent (\$)	2006-2010 Median Gross Rent (\$)
Assessment Area	141,475	168,059	529	717
Lapeer County	139,400	165,200	541	680
Macomb County	134,900	157,000	603	752
Sanilac County	91,000	115,600	448	594
St. Clair County	122,700	150,300	537	691
Warren-Troy-Farmington Hills, MI MD	153,130	177,700	655	812
State of Michigan	110,300	144,200	546	723

Source: 2000—U.S. Census Bureau: Decennial Census; 2006-2010—U.S. Census Bureau: American Community Survey

A common method to compare the relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. Based on the 2006-2010 American Community Survey, the assessment area counties' affordability ratios range from 0.33 to 0.35, which approximates the state and Metropolitan Division value of 0.34. Since the 2000 U.S. Census, housing has become more costly in relation to income as the affordability ratio at that time ranged

from 0.37 to 0.41 in assessment area counties. As income levels declined, housing prices increased, contributing to the indication that the housing costs are becoming less affordable in the assessment area.

The Federal Reserve Bank of Chicago conducted a study on the change in the foreclosure inventory rate at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure and excludes properties that have completed the foreclosure cycle. The study indicates foreclosure inventory rates in the assessment area counties and the state were elevated during the 2007-2009 recession, peaking in December 2010 at a range of 3.2 to 4.5 percent in the counties and above the state-wide peak on the same date of 3.1 percent. Since that time, rates in all counties declined and range from 0.9 to 1.7 percent as of September 2013, which approximates the state-wide rate of 1.1 percent on the same date.

Employment Conditions

Since 2009, unemployment rates for the counties in the assessment area trended downward from highs reflective of the 2007-2009 recession. As shown in the table below, unemployment ranged from 15.6 percent to 17.5 percent in assessment area counties in 2009, and declined to a range of 9.1 percent to 10.8 percent in 2013. Despite the declines, the assessment area counties' unemployment rates remain elevated in relation to the MD, the state and the U.S. unemployment rates, based on 2013 data.

Unemployment Rates (%)					
Region	2009	2010	2011	2012	2013
Lapeer County	17.2	15.3	13.1	11.8	10.8
Macomb County	15.6	13.7	11.5	10.4	9.1
Sanilac County	17.0	15.0	11.8	9.9	10.6
St. Clair County	17.5	14.9	13.1	12.2	10.6
Warren-Troy-Farmington Hills, MI MD	14.1	12.8	10.8	9.8	8.7
State of Michigan	13.3	12.5	10.3	9.1	8.8
United States	9.3	9.6	8.9	8.1	6.5

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

The largest industries within the assessment area are the grocery and manufacturing industries due to the presence of Meijer and Kroger in St. Clair and Macomb Counties and the Chrysler operations in Macomb County, respectively. The table below lists the largest employers within the assessment area by number of employees.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Meijer	5,051	Supermarkets/Other Grocery Stores
Chrysler Warren Truck	4,000	Heavy Duty Truck Manufacturing
Henry Ford Macomb Outpatient/Rehab	4,000	Offices-Physical, Occupational/Speech Therapists/Audiologists
Chrysler Corp.	3,850	Automobile Manufacturing
US Army Tank Automotive Command	3,480	National Security
McDonald's	3,347	Restaurants
Kroger	3,004	Supermarkets/Other Grocery Stores
Mt. Clemens Regional Medical Center	2,335	General Medical & Surgical Hospitals
Art Van Furniture	1,990	Furniture Stores

Source: America's Labor Market Information System (ALMIS)

Community Contacts

Two community representatives were interviewed during the evaluation to gain a better understanding of the credit needs of the assessment area. The representatives indicated lending opportunities exist for commercial financing in partnership with local economic development agencies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST¹

CSB's performance relative to the lending test is rated satisfactory based on the bank's loan-to-deposit (LTD) ratio, the percentage of loans originated in the bank's assessment area, the geographic distribution of loans and the bank's record of lending to borrowers of different income levels and businesses of different sizes. The bank's primary business line is HMDA-reportable loans; therefore, this loan type is weighted more heavily than small business loans in the evaluation of the bank's performance.

Loan-to-Deposit Ratio

CSB Bank's LTD ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment area. The LTD ratio, shown in the following table, totaled 63.4 percent based on its 16-quarter average from March 31, 2010 through December 31, 2013. The bank's LTD ratio is

¹ For HMDA-related and small business loans originated in 2012, the point at which new census tract definitions became effective, 2010 U.S. Census demographic data was used in the analysis of the bank's lending. For HMDA-related and small business loans originated in calendar year 2011, the 2000 U.S. Census demographic data was used. Data on 2011 lending is provided in Appendix A of this evaluation.

lower than its national group, (insured commercial banks with assets between \$100 and \$300 million with three or more full service offices and located in a metropolitan statistical area), but it approximates several of its local competitor institutions.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
CSB Bank	63.4
National Peer Group 4	74.3
Competitors	
Eastern Michigan Bank	61.4
Fifth Third Bank	90.4
Lapeer City Bank & Trust Company	60.6
PNC Bank	78.0
Talmer Bank & Trust Company	63.7
Tri-County Bank	66.8

Assessment Area Concentration

A majority of the bank’s HMDA-reportable and small business loans were originated inside the assessment area. The table below summarizes the bank’s lending inside and outside the assessment area by product. The distribution of loans illustrates 84.1 percent of loans by number, and 84.6 percent by dollar amount, were originated inside the assessment area indicating the bank actively serves the credit needs within its assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$	%	#	%	\$	%
Home Purchase Loans	47	77.0	3,981	79.3	14	23.0	1,042	20.7
Refinanced Loans	230	86.5	30,413	85.7	36	13.5	5,085	14.3
Home Improvement Loans	26	100.0	2,887	100.0	0	0.0	0	0.0
Multi-Family Loans	0	0.0	0	0.0	2	100.0	225	100.0
Total HMDA-Reportable Loans	303	85.4	37,281	85.4	52	14.6	6,352	14.6
Total Small Business Loans	46	76.7	5,302	78.8	14	23.3	1,426	21.2
Total Loans	349	84.1	42,583	84.6	66	15.9	7,778	15.4

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

An analysis of geographic distribution of loans was conducted to determine the dispersion of loans among the different census tracts by income level within the assessment area. The analysis focused on loan penetration in moderate-income census tracts since there are no low-income census tracts in the bank’s assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

HMDA-Reportable Loans

During 2012, the bank originated a higher proportion of HMDA-reportable loans in low- and moderate-income census tracts when compared to 2011 due to increased loan refinance activity. The bank originated 189 HMDA-reportable loans in 2012 compared to the 114 HMDA-reportable loans in 2011. In 2012, the bank originated 32.8 percent of its loans by number in moderate-income census tracts, which was significantly above the aggregate lender rate of 20.4 percent and the demographic measure of owner-occupied housing located in moderate-income tracts of 24.0 percent. This is an improvement from the bank's performance relative to aggregate lenders in 2011 and in relation to the level of owner-occupied housing in moderate-income tracts. In 2011, the bank originated 16.7 percent of its loans by number in moderate-income census tracts, compared to 22.1 percent for aggregate lenders. The bank's 2011 HMDA-reportable lending was below the demographic-measure of owner-occupied housing of 24.5 percent.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2012 COMBINED AA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count		2012 Dollar				
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %	Bank \$ %	Agg \$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	6	30.0	23.3	711	34.6	19.8	24.0
	Middle	14	70.0	76.7	1,341	65.4	80.2	76.0
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	20	100.0	100.0	2,052	100.0	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	51	33.8	19.1	6,275	31.0	17.5	24.0
	Middle	100	66.2	80.9	13,962	69.0	82.5	76.0
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	151	100.0	100.0	20,237	100.0	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	5	27.8	25.3	571	27.1	21.1	24.0
	Middle	13	72.2	74.7	1,537	72.9	78.9	76.0
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	18	100.0	100.0	2,108	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	0	0.0	0.0	0	0.0	0.0	47.7
	Middle	0	0.0	100.0	0	0.0	100.0	52.3
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	62	32.8	20.4	7,557	31.0	18.1	24.0
	Middle	127	67.2	79.6	16,840	69.0	81.9	76.0
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	189	100.0	100.0	24,397	100.0	100.0	100.0

Originations & Purchases
Information based on 2010 ACS data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Loans

For small business loans, in 2012 the bank originated 35.7 percent of its loans by number in moderate-income census tracts. This lending rate exceeds the demographic measure of 26.3 percent of businesses located in moderate-income census tracts in the assessment area. The bank's 2012 performance reflects an increase over 2011 performance, when 27.8 percent of the bank's small business loans were in moderate-income census tracts.

Small Business Lending, 2012 Geographic Distribution					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	10	35.7	1,101	41.5	26.3
Middle	18	64.3	1,554	58.5	73.7
Upper	0	0.0	0	0.0	0.0
Total	28	100.0	2,655	100.0	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

An analysis of HMDA-reportable and small business loans was conducted to determine the level of lending to borrowers of different income levels and businesses of varying revenues. The bank's loan distribution reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses of different sizes.

HMDA-Reportable Loans

In 2012, the bank originated 40.7 percent of its HMDA-reportable loans by number to low- and moderate-income borrowers. This lending exceeds the 2012 aggregate lender rate of 35.7 percent of loans originated to low- and moderate-income borrowers and approximates the demographic measure of 44.3 percent low- and moderate income families in the assessment area. The 2012 rate is lower than 2011 performance, when the bank originated 48.2 percent of HMDA-reportable loans by number to low- and moderate-income borrowers, although 2011 lending also exceeded the aggregate lenders rate of 39.7 percent and the demographic measure of low- and moderate-income families of 41.9 percent. The 2012 decline in the bank's low- and moderate-income borrower lending is attributed to lower home purchase rates for borrowers of all income levels, including low- and moderate-income.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2012 COMBINED AA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count			Dollar			
		2012		2012		2012		
		Bank #	Bank %	Agg %	Bank \$(000s)	Bank \$ %	Agg \$ %	
Home Purchase	Low	3	15.0	23.4	302	14.7	15.2	21.7
	Moderate	5	25.0	26.8	400	19.5	23.7	22.6
	Middle	4	20.0	22.0	443	21.6	25.7	25.6
	Upper	7	35.0	17.2	813	39.6	24.9	30.1
	Unknown	1	5.0	10.6	94	4.6	10.4	0.0
	Total		20	100.0	100.0	2,052	100.0	100.0
Refinance	Low	22	14.6	11.0	1,963	9.7	7.5	21.7
	Moderate	38	25.2	19.1	4,392	21.7	15.7	22.6
	Middle	44	29.1	27.2	6,118	30.2	27.2	25.6
	Upper	41	27.2	29.6	7,157	35.4	35.9	30.1
	Unknown	6	4.0	13.1	607	3.0	13.7	0.0
	Total		151	100.0	100.0	20,237	100.0	100.0
Home Improvement	Low	4	22.2	19.0	295	14.0	11.0	21.7
	Moderate	5	27.8	25.9	580	27.5	24.8	22.6
	Middle	5	27.8	31.0	622	29.5	36.0	25.6
	Upper	4	22.2	23.4	611	29.0	26.3	30.1
	Unknown	0	0.0	0.6	0	0.0	1.9	0.0
	Total		18	100.0	100.0	2,108	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.7
	Moderate	0	0.0	0.0	0	0.0	0.0	22.6
	Middle	0	0.0	0.0	0	0.0	0.0	25.6
	Upper	0	0.0	0.0	0	0.0	0.0	30.1
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	29	15.3	14.4	2,560	10.5	9.4	21.7
	Moderate	48	25.4	21.3	5,372	22.0	17.7	22.6
	Middle	53	28.0	26.0	7,183	29.4	26.9	25.6
	Upper	52	27.5	26.2	8,581	35.2	33.1	30.1
	Unknown	7	3.7	12.1	701	2.9	12.9	0.0
	Total		189	100.0	100.0	24,397	100.0	100.0
Originations & Purchases								
Information based on 2010 ACS data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Loans

Small business lending in 2012 was concentrated to small businesses with gross revenues of \$1 million or less. The bank originated 67.9 percent of loans by number to borrowers with revenues of \$1 million or less, with 89.5 percent of those loans in amounts of \$100,000 or less. The performance in 2011 approximated 2012 lending, with 72.2 percent of loans originated to borrowers with gross revenues of \$1 million or less, 84.6 percent of which were in amounts of \$100,000 or less.

Loans in amounts of \$100,000 or less are typically considered most beneficial to small businesses, therefore the bank's level of lending evidences support of the small businesses in the assessment area.

Small Business Loan Distribution, 2012 By Revenue and Loan Size (000s)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	%
By Revenue					
\$1 Million or Less	19	67.9	1,174	44.2	93.3
Over \$1 Million	9	32.1	1,481	55.8	3.6
Not Known	0	0.0	0	0.0	3.1
Total	28	100.0	2,655	100.0	100.0
By Loan Size					
\$100,000 or less	20	71.4	780	29.4	
\$101,000 - \$250,000	5	17.9	880	33.1	
\$251,000 - \$1 Million	3	10.7	995	37.5	
Total	28	100.0	2,655	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	17	89.5	652	55.5	
\$101,000 - \$250,000	1	5.3	232	19.8	
\$251,000 - \$1 Million	1	5.3	290	24.7	
Total	19	100.0	1,174	100.0	
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – 2000 Demographic and 2011 Lending Tables

Combined Demographics Report

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	7,085	19.6
Moderate-income	9	25.0	8,992	24.9	524	5.8	8,066	22.3
Middle-income	26	72.2	26,035	72.0	861	3.3	9,513	26.3
Upper-income	1	2.8	1,111	3.1	19	1.7	11,474	31.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	36	100.0	36,138	100.0	1,404	3.9	36,138	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	12,742	9,747	24.5	76.5	2,249	17.7	746	5.9
Middle-income	33,567	28,827	72.6	85.9	3,201	9.5	1,539	4.6
Upper-income	1,227	1,144	2.9	93.2	45	3.7	38	3.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	47,536	39,718	100.0	83.6	5,495	11.6	2,323	4.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	2,106	26.6	1,929	26.1	89	34.2	88	35.2
Middle-income	5,484	69.3	5,168	69.8	164	63.1	152	60.8
Upper-income	324	4.1	307	4.1	7	2.7	10	4.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	7,914	100.0	7,404	100.0	260	100.0	250	100.0
Percentage of Total Businesses:				93.6		3.3		3.2

Based on 2011 D&B information according to 2000 Census Boundaries.
Percentages may not add to 100 percent based on rounding.

HMDA Geographic Distribution of Loans - 2011

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2011 COMBINED AA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count		Dollar		Agg %	Agg \$ %	
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %			
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	6	22.2	25.1	327	17.0	18.9	24.5
	Middle	21	77.8	72.5	1,602	83.0	76.5	72.6
	Upper	0	0.0	2.5	0	0.0	4.6	2.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	27	100.0	100.0	1,929	100.0	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	12	15.2	19.2	1,414	13.9	16.7	24.5
	Middle	67	84.8	74.7	8,762	86.1	74.6	72.6
	Upper	0	0.0	6.2	0	0.0	8.7	2.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	79	100.0	100.0	10,176	100.0	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	12.5	35.2	100	12.8	25.2	24.5
	Middle	7	87.5	61.4	679	87.2	67.2	72.6
	Upper	0	0.0	3.4	0	0.0	7.7	2.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	8	100.0	100.0	779	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	100.0	0	0.0	100.0	54.1
	Middle	0	0.0	0.0	0	0.0	0.0	45.9
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	19	16.7	22.1	1,841	14.3	17.6	24.5
	Middle	95	83.3	73.2	11,043	85.7	75.2	72.6
	Upper	0	0.0	4.6	0	0.0	7.2	2.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	114	100.0	100.0	12,884	100.0	100.0	100.0
Originations & Purchases								
Information based on 2000 Census data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Geographic Distribution of Loans - 2011

Small Business Lending Geographic Distribution					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	
Low	0	0.0	0	0.0	0.0%
Moderate	5	27.8	953	36.0	26.6%
Middle	13	72.2	1,694	64.0	69.3%
Upper	0	0.0	0	0.0	4.1%
Unknown	0	0.0	0	0.0	0.0%
Total	18	100.0	2,647	100.0	100.0%
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes - 2011

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2011 COMBINED AA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count			Dollar			
		Bank		Agg	Bank		Agg	
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	8	29.6	24.9	506	26.2	15.6	19.6
	Moderate	9	33.3	29.8	661	34.3	26.8	22.3
	Middle	3	11.1	19.7	227	11.8	22.8	26.3
	Upper	2	7.4	16.9	351	18.2	26.0	31.8
	Unknown	5	18.5	8.6	184	9.5	8.7	0.0
	Total	27	100.0	100.0	1,929	100.0	100.0	100.0
Refinance	Low	12	15.2	10.6	1,242	12.2	6.9	19.6
	Moderate	22	27.8	18.3	2,498	24.5	15.5	22.3
	Middle	27	34.2	25.2	3,668	36.0	25.0	26.3
	Upper	17	21.5	24.6	2,478	24.4	31.5	31.8
	Unknown	1	1.3	21.2	290	2.8	21.1	0.0
	Total	79	100.0	100.0	10,176	100.0	100.0	100.0
Home Improvement	Low	1	12.5	24.8	111	14.2	18.8	19.6
	Moderate	3	37.5	25.5	201	25.8	17.0	22.3
	Middle	2	25.0	20.7	220	28.2	22.1	26.3
	Upper	2	25.0	24.1	247	31.7	31.1	31.8
	Unknown	0	0.0	4.8	0	0.0	10.9	0.0
	Total	8	100.0	100.0	779	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	19.6
	Moderate	0	0.0	0.0	0	0.0	0.0	22.3
	Middle	0	0.0	0.0	0	0.0	0.0	26.3
	Upper	0	0.0	0.0	0	0.0	0.0	31.8
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	21	18.4	16.7	1,859	14.4	10.2	19.6
	Moderate	34	29.8	23.0	3,360	26.1	19.6	22.3
	Middle	32	28.1	22.9	4,115	31.9	24.2	26.3
	Upper	21	18.4	21.6	3,076	23.9	29.5	31.8
	Unknown	6	5.3	15.8	474	3.7	16.5	0.0
	Total	114	100.0	100.0	12,884	100.0	100.0	100.0
Originations & Purchases								
Information based on 2000 Census data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Loan Distribution, 2011					
By Revenue and Loan Size					
(000s)					
Category	Bank Loans				Businesses
	#	%	\$	%	By Annual Revenues
					%
By Revenue					
\$1 Million or Less	13	72.2	1,568	59.3	93.6
Over \$1 Million	5	27.8	1,079	40.7	3.3
Not Known	0	0.0	0	0	3.2
Total	18	100.0	2,647	100.0	100.0
By Loan Size					
\$100,000 or less	13	72.2	393	14.9	
\$101,000 - \$250,000	2	11.1	400	15.1	
\$251,000 - \$1 Million	3	16.7	1,854	70.0	
Total	18	100.0	2,647	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	11	84.6	373	23.8	
\$101,000 - \$250,000	0	0.0	0	0.0	
\$251,000 - \$1 Million	2	15.4	1,195	76.2	
Total	13	100.0	1,568	100.0	
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2011 through December 31, 2012	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
CSB Bank		HMDA-reportable loans Small business loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None	Not applicable	Not applicable	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Warren-Troy-Farmington Hills, Michigan MD#47644	Full scope review	None	None

APPENDIX C - Glossary

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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the

rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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 lenders in the MSA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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 it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

Small loans to business: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: 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 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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