



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 10, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Community National Bank
Charter No. 17595
P.O. Box 577
Franklin, Ohio 45005

Office of the Comptroller of the Currency

Central District Office
One Financial Place, Suite 2700
Chicago, Illinois 60605

NOTE: 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.

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 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 Community Reinvestment Act (CRA) performance of The Community National Bank prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 10, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

Community National Bank exhibits a good CRA performance record. This record is supported by the following:

- ▶ The bank's loan to deposit ratio is 70%. This reflects a reasonable level of lending.
- ▶ The bank is lending to individuals and businesses of all income levels. Of loans originated inside the bank's assessment area, an estimated 10% are to low income individuals, 14% to moderate income individuals, 17% to middle income individuals, and 59% to upper income individuals. The high volume of loans to upper income individuals is reflective of the income distribution of families living in the assessment area.
- ▶ A majority (56%) of loans outstanding are within the bank's assessment area.

The following table indicates the performance level of The Community National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Community National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		x	
Lending in Assessment Area		x	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		x	
Geographic Distribution of Loans		x	
Response to Complaints	No complaints were received since the prior examination		

DESCRIPTION OF INSTITUTION

The Community National Bank (CNB) is an independently owned, \$61 million dollar community bank with its headquarters in Franklin, Ohio. The bank has two branches in nearby Springboro and Carlyle, Ohio. The Carlisle branch has an ATM. Both branches are located in middle income census tracts.

The bank's primary business focus is residential mortgage lending to individuals (35% of total loans), and commercial real estate lending (33% of total loans). Commercial lending is primarily to small businesses.

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its assessment area. CNB's last CRA evaluation was dated October 31, 1992; the rating was "Satisfactory Record of Meeting Community Credit Needs". In preparing the current evaluation, we reviewed the bank's 1995 and year to date 1996 lending activities in detail. A cursory review of 1993 and 1994 performance revealed similar performance. The primary change that has occurred since the previous evaluation has been a significant increase in the level of the bank's loans in relation to its deposits.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of eleven census tracts in Cincinnati MSA 1640. All eleven census tracts are located within Warren County. The census tracts are characterized as follows: two moderate income, seven middle income, and two upper income.

Competition comes primarily from twelve other financial institutions operating in the County. Several are branches of regional banks headquartered in Dayton, Cincinnati, and Columbus, Ohio.

The assessment area's population is 40,854, made up of 11,850 families. The distribution of families between income levels is as follows: 17% are low income, 16% are moderate income, 25% are middle income, and 42% are upper income. There are a total of 14,687 housing units in the bank's assessment area with 10,795 or 73% owner-occupied. The median age of the housing stock is 26 years.

The local economy is stable, diverse and has experienced strong growth. Major employers include the Warren County Administrative Offices, Ohio Department of Transportation, Otterbien Retirement Community, Gayston Corporation and the Lebanon Correctional Institution.

We conducted one interview with a local real estate broker to help identify the credit needs of the community. The contact did not identify any unmet community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the competitive nature of the assessment area.

CNB's average loan-to-deposit ratio since the prior CRA examination is 54%. Due to the opening of the Carlisle branch and increased marketing efforts, this ratio has significantly increased since 1992, and is currently 70%. The average loan-to-deposit ratio for similarly situated banks, those within the bank's assessment area and surrounding counties in Ohio, is 74%. This information is as of March 31, 1996.

Lending in Assessment Area

A majority of loans are made to borrowers in the bank's assessment area.

We evaluated the level of lending within the assessment area by analyzing management generated data for all loans outstanding as of May 15, 1996. The following are the percentages of loans outstanding within the assessment area, delineated by loan type.

	Real Estate Mortgages	Consumer	Small Business/Farm	Total
Number of Loans	61%	55%	52%	56%
Dollar Amount of Loans	63%	48%	49%	58%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of borrowers reflects a reasonable penetration among individuals and business of different income levels and businesses of different sizes.

We performed an analysis of Home Mortgage Disclosure Act information for 1995 and 1996 and instalment loans originated in the same period. Our sample contained 70 loans with original amounts totalling \$4.8MM. Based on this analysis, the number of loans extended to individuals in each income category is within a reasonable range of the proportion of families in the assessment area earning those amounts. This is evidenced by the following table showing our sampling results:

	Percentage Loans to Low Income Individuals	Percentage Loans to Moderate Income Individuals	Percentage Loans to Middle Income Individuals	Percentage Loans Upper Income Individuals
Number of Loans	7	10	12	41
	10%	14%	17%	59%
Dollar Amount of Loans	\$168M	\$172M	\$615M	\$3,879M
	3%	4%	13%	80%
Proportion of Assessment Area Families	17%	16%	25%	42%

We sampled 9 loans to businesses located inside the assessment area. All of the loans were to entities with total revenues of less than \$1 million dollars. As evidenced by the following table of our sampling results, the distribution of loans by revenue levels shows the bank is willing to make loans to all size businesses.

	Gross Revenues Less than \$100M	Gross Revenues \$100-250M	Gross Revenues \$250-1MM
Number of Loans	6	1	2
	67%	11%	22%
Dollar Amount of Loans	\$1,702M	\$229M	\$1,131M
	56%	7%	37%

Geographic Distribution of Loans

There is a reasonable geographic distribution of loans throughout the assessment area.

We analyzed Home Mortgage Disclosure Act data for 1995 and 1996, and instalment loans originated in the same period. The bank's assessment area consists of 2 moderate, 7 middle and 2 upper income census tracts. The distribution of loans is consistent with the income make up of the census tracts within the assessment area as detailed in the "Description of Assessment Area" section of this report. This following table details loans generated by income geographies.

	Percentage Loans to Moderate Income Geographies	Percentage Loans to Middle Income Geographies	Percentage Loans Upper Income Geographies
Percentage of Loans (#)	7	44	19
	10%	63%	27%
Percentage of Loans (\$)	\$263M	\$2,793M	\$1,778M
	5%	58%	37%

Response to Complaints

The bank has not received any complaints from the public or the OCC regarding its performance in meeting assessment area needs.