



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**October 24, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Citizens National Bank  
Charter Number 24297**

**11407 Windsor Boulevard  
Windsor, VA 23487**

**Comptroller of the Currency  
Virginia Field Office  
3800 Electric Road Suite 204  
Roanoke, VA 24018**

**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.**

- Citizens National Bank's (CNB's) loan-to-deposit ratio is reasonable and a substantial majority of the number of loans was made within their assessment area (AA).
- The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable.
- There have been no complaints regarding CNB's performance under CRA since the bank opened in April 2003.

## **DESCRIPTION OF INSTITUTION**

CNB has assets totaling approximately \$27 million as of June 30, 2005. The main office is located in Windsor, VA. CNB opened for business in April 2003 and does not have any branch offices. They are a wholly owned subsidiary of CNB Bancorp, Inc., a one-bank holding company also located in Windsor, VA.

This is CNB's first CRA Performance Evaluation. The CRA evaluation period will cover April 2003 through September 2005. There are no legal circumstances impeding the bank's ability to help meet the credit needs in its AA. However, the bank's ability to fully respond to AA needs is somewhat restricted by its legal lending limit.

As indicated below, the bank's primary loan products are consumer and business loans. CRA analyses focused on these two loan products.

<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
<b>Business Loans</b>	<b>62%</b>	<b>26%</b>
Home Loans	22%	12%
<b>Consumer Loans</b>	<b>15%</b>	<b>61%</b>
Farm Loans	1%	1%
Total	100%	100%

*Source: Bank prepared reports*

## **DESCRIPTION OF ASSESSMENT AREA**

CNB's AA includes Isle of Wight County, the City of Suffolk and one census tract from Southampton County. Both Isle of Wight County and the City of Suffolk are part of the larger Norfolk-VA Beach-Newport News, VA-NC Metropolitan Statistical Area (MSA). CNB added the one census tract from Southampton County because it is contiguous and easily accessed via Route 460. The AA is made up of 20 census tracts, including 5 moderate-income tracts. The AA has no low-income tracts. Recent revisions to the MSA boundaries defined by the Office of

Management and Budget did not affect the bank's defined AA.

The population of Isle of Wight County, based on 2002 census estimates, is approximately 30,934 with unemployment at 3.6% as of September 2005. The population of the City of Suffolk, based on 2002 census estimates, is approximately 69,821, with 4% unemployment as of September 2005. Unemployment in both areas is above the state's average of 3.5%. Top industries in the AA include health care and social assistance, manufacturing, retail trade, and education services. CNB operates in a highly competitive market, characterized by the presence of numerous financial intuitions, mortgage companies, and non-financial intermediaries.

We considered information from one community contact in assessing CNB's CRA performance. This contact is a representative of a community development organization that serves CNB's AA. The contact indicated there are opportunities to provide mortgage financing for low- and moderate-income individuals

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

CNB's loan-to-deposit ratio is reasonable, considering their resources and capacity to lend, the age of the bank, demographic and economic factors, and lending opportunities available in the AA. CNB's average quarterly loan-to-deposit ratio since it opened in April 2003 is 60%. This reflects lower lending levels in the initial period of operation, which is typical for a new bank. The average loan-to-deposit ratio over the last five quarters is 68%.

Most banks operating in CNB's AA are larger institutions with greater resources and a broader geographic base of operation. However, we identified two banks with total assets less than \$100 million as of June 30, 2005, headquartered in Virginia, and with no more than 2 branch offices, at least one of which is located within CNB's AA. The average quarterly loan-to-deposit ratios for these banks were 62% and 76%.

### **Lending in Assessment Area**

CNB originated a majority of its loans inside the AA in terms of the number of loans made. The bank did not originate a majority of its loans inside the AA in terms of the dollar volume of loans made. However, the sample includes four large participation loans that skew the total toward loans outside the AA. These four participation loans total just under \$2 million, and represent 55% of the total dollars of loans outside the AA. The following table presents the results of our sample of 80 loans originated during the evaluation period.

<b>Lending in Assessment Area</b>										
	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Sample Loans	46	58	34	42	80	1,356,039	27	3,658,897	73	5,014,936

Source: Loan sample.

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

The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable. Our evaluations are based on a sample of 27 consumer and 19 business loans made inside CNB's AA. As indicated below, consumer sample results closely approximate the number of low-income households in the AA and significantly exceed the number of moderate-income households.

<b>Borrower Distribution of Consumer Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	21.10	15.38	16.31	30.77	24.29	19.23	38.30	34.62

Source: Loan sample; U.S. Census data.

Business sample results exceed the distribution of small businesses in the AA. This is reflected in the following table.

<b>Borrower Distribution of Loans to Businesses</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.89	3.94	29.17	100%
% of Bank Loans in AA by #	73.69	5.26	21.05	100%
% of Bank Loans in AA by \$	78.41	20.39	1.20	100%

Source: Loan sample; Dunn and Bradstreet data.

### Geographic Distribution of Loans

The geographic distribution of both consumer and business loans reflects poor penetration to moderate-income geographies within CNB's AA. There are five moderate-income geographies in CNB's AA. Four represent very small tracts and all five are located at least 20 minutes from the CNB's office. Strong competition within CNB's AA and the location of these moderate-income geographies provides some explanation of CNB's performance in these tracts.

The AA does not contain any low-income geographies. Our evaluation is based on a sample of

27 consumer and 19 business loans made inside CNB’s AA. The tables below reflect the results of this analysis.

<b>Geographic Distribution of Consumer Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	17.58	0	73.53	100	8.89	0

*Source: Loan sample; U.S. Census data.*

<b>Geographic Distribution of Loans to Businesses</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0	0	15.77	0	74.95	100	9.28	0

*Source: Loan sample; Dunn and Bradstreet data.*

### **Responses to Complaints**

There have been no complaints regarding CNB’s performance under CRA since the bank opened in April 2003.

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

We found no evidence of illegal discrimination or other illegal credit practices.