



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 07, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Lenox National Bank
Charter Number 4013

7 Main Street
Lenox, MA 01240-0000

Office of the Comptroller of the Currency

New England Field Office
20 Winthrop Square 2nd Floor
Boston, MA 02110-1229

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.

The lending performance of Lenox National Bank is satisfactory given its size, financial condition, and the credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- The average loan-to-deposit ratio is reasonable and averaged 55.12% since the last CRA examination.
- The bank's level of lending within its assessment area is satisfactory. The majority of loans originated, 77.68% by number and 81.16% by dollar amount, are to borrowers within the assessment area.
- The distribution of residential mortgages reflects reasonable penetration to low- and moderate-income individuals given the limited low-income housing available in the assessment area.
- The distribution of consumer loans reflects excellent penetration to low- and moderate-income individuals in the assessment area.
- The distribution of loans to small businesses with revenues of less than \$1 million is reasonable.

SCOPE OF EXAMINATION

Lenox National Bank is evaluated under the small bank CRA standards. The overall evaluation period for this examination is January 1, 2005 to September 30, 2007. We selected primary loan products to perform our analyses. We determined primary loan products to be residential mortgages and commercial loans based on the total amount of originations and consumer loans based on the total number of originations. This determination was made based on all loan product originations between January 1, 2005 and September 30, 2007. The bank is located in a Metropolitan Statistical Area (MSA) and is required to publicly file mortgage data under the Home Mortgage Disclosure Act (HMDA). Therefore, we used the data reported under HMDA for our residential mortgage analysis. We sampled twenty commercial loans and twenty consumer loans to base our conclusions for our analysis of those loan categories.

DESCRIPTION OF INSTITUTION

Lenox National Bank (LNB) is a \$51 million nationally chartered bank located in Berkshire County in western Massachusetts. The bank is independently owned and there is no holding company structure. The bank's full service main office is located in downtown Lenox and the one full service branch office is also located in Lenox, near the Pittsfield line. LNB has one ATM located at the main office. No offices have been closed since our last CRA examination dated November 12, 2002.

LNB offers a variety of loan and deposit products to meet consumer and commercial banking needs. Primary credit products include residential loans, business loans, and consumer loans. Residential loan products include home purchase, refinance, and home improvement loans. Commercial products include commercial real estate, commercial loans, and lines of credit. The primary lending focus is on residential mortgages. As of September 30, 2007, the bank's loan portfolio totaled \$26.6 million or 52% of total assets. The portfolio was comprised of residential mortgages, \$19 million or 72% of gross loans; commercial and commercial real estate \$6 million or 23%; and consumer loans \$832 thousand or 3%. The bank does not sell loans in the secondary market or purchase loans. As of September 30, 2007, the Bank had total deposits of \$41.3 million, representing 81% of total assets. The bank offers standard deposit products for consumers and businesses.

The bank was assigned a "Satisfactory" CRA rating at the preceding examination dated November 12, 2002. There are no financial or legal impediments that would prevent the bank from helping meet the credit needs of the assessment area.

The distribution of the bank's loan portfolio as of September 30, 2007 is reflected in **Table 1**, below.

Table 1 - Loan Category 9/30/07 Call Report	\$ (000)	%
Residential Real Estate Loans	19,124	71.86
Commercial Real Estate Loans	5,095	19.15
Commercial Loans	1,153	4.33
Consumer Loans	832	3.13
Multi-family	408	1.53
Total	26,612	100.00

DESCRIPTION OF LENOX NATIONAL BANK ASSESSMENT AREA

LNB has one defined assessment area (AA) which is comprised of twelve towns in the Pittsfield Metropolitan Statistical Area (MSA) but does not include the entire MSA. The towns included in LNB's AA are: Lenoxdale, Lee, Stockbridge, West Stockbridge, Mt. Washington, Egremont, Alford, Lenox, Richmond, Hancock, New Ashford, and South Lee. The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- to moderate-income tracts.

LNB's assessment area is comprised of 6 census tracts. Based on 2000 U.S. Census data, there are 3 middle-income tracts and 3 upper-income tracts. There are no low- or moderate-income census tracts.

Table 2 reflects the assessment area demographics based on 2000 Census Bureau and the Housing and Urban Development Agency (HUD) data.

Table 2 - DEMOGRAPHIC & ECONOMIC CHARACTERISTICS	
Population	
Population of AA in MSA	19,200
Number of Families	5,225
Number of Households	8,026
Geographies	
Number of Census Tracts	6
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	50%
% Upper-Income Census Tracts	50%
Median Family Income (MFI)	
2006 HUD-Updated MSA MFI	\$61,200
Economic Indicators	
Unemployment Rate-Pittsfield MSA Fourth Quarter 2005	3.9%
2000 Median Housing Value	\$178,637
% of Households Below Poverty Level	7.36%

The bank's assessment area is located in Berkshire County where a primary industry in the area is tourism. Many seasonal visitors are attracted to the area due to the many cultural attractions, as well as, the many recreational activities and scenic vistas. Local attractions include Tanglewood, the summer home of the Boston Symphony Orchestra; the Berkshire Performing Arts Theatre/National Music Foundation; Shakespeare & Company; and the Norman Rockwell Museum. Businesses in the area include resorts, spas, inns, restaurants, retail shops, and art galleries.

Based on U.S. Census Data, the population of the assessment area has grown about 21% in the ten years from 1990 to 2000. There are 5,225 families of various income levels in the AA. Low-income families represent 11.73%, moderate-income families represent 18.28%, middle-income families represent 22.64% and upper-income families represent 47.35%.

The December 31, 2005, Pittsfield MSA unemployment rate was 3.9% and remains below the Massachusetts unemployment rate of 4.4% and the U.S unemployment rate of 4.9%. There is no single large employer in the area.

There are approximately 10,668 housing units within the bank's assessment area, of which 55% are owner occupied, 21% are rented, and 24% are vacant. Of the total housing units available, 88% are 1-4 family units and 12% are multifamily units.

The bank operates in a highly competitive market. The bank’s largest competitors are Berkshire Bank, Legacy Bank, and Greylock Federal Credit Union, all headquartered in Pittsfield. These banks are considerably larger than LNB with wider market areas and many more branch offices.

Bank management has identified residential mortgages and small business lending as the primary credit need in the AA. In conjunction with this Performance Evaluation, we made a community contact to assist in gauging the credit needs of the community. We contacted an organization which is focused on economic development to attract and retain high quality employers and employees in Berkshire County. According to the contact, continued investment in the region to develop and grow the economy is a need in Berkshire County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan to deposit ratio is reasonable given the bank’s highly competitive market area. LNB is a significantly smaller bank than its competitors which results in less opportunity to lend given the smaller legal lending limit and limits in the types of products and services offered. The bank’s average loan-to-deposit ratio (LTD) for the 20 quarters from December 31, 2002 through September 30, 2007 was 55.12%. The bank’s LTD ratio fluctuated between a low point of 44.70% at September 30, 2003 to a high point of 64.33% at March 31, 2007. A comparison with New England banks with total assets of \$75 million or less reflected an average peer LTD ratio of 61.87% over the same timeframe.

Lending in Assessment Area

The bank’s level of lending within its assessment area is satisfactory. A majority of LNB’s loans were made to borrowers within the bank’s assessment area. The loan products sampled and the results of our analysis are detailed in **Table 3** below. Our analysis shows that 77.68% by number and 81.16% by dollar volume of originations were within the bank’s assessment area.

Table 3 - Lending in Lenox Assessment Area January 1, 2005 through September 30, 2007										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential mortgages *	56	77.78	16	22.22	72	10,623	80.48	2,576	19.52	13,199
**Commercial loans	19	95.00	1	5.00	20	758	98.06	15	1.94	773
**Consumer loans	12	60.00	8	40.00	20	163	65.00	88	35.00	251
Totals	87	77.68	24	21.43	112	11,544	81.16	2,679	18.84	14,223

Source: * data reported under HMDA, ** sample of loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes
 LNB's lending to low- and moderate-income families and households within the AA is satisfactory overall.

The bank's lending to families of low- and moderate-income levels for residential mortgages in the AA is less than the distribution of families with low- and moderate-income in the bank's assessment area. The limited volume of low-income housing stock and median price of homes in the AA makes it difficult for these income groups to purchase a home. Our results are based on the data reported under the Home Mortgage Disclosure Act (HMDA) and are reflected in **Table 4** below.

Table 4 - Borrower Distribution of Residential Real Estate Loans in Lenox Assessment Area January 1, 2005 through September 30, 2007								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Mortgages	11.73	3.85	18.28	9.62	22.64	26.92	47.35	55.77

Source: data reported under HMDA.

The bank's consumer lending to low- and moderate-income households within the AA is excellent. For both low- and moderate-income households, LNB's consumer lending exceeds the demographics. Many of the consumer loans that Lenox National Bank originates are for very small dollar amounts which makes them affordable to low- and moderate-income individuals. The results of our analysis are shown in **Table 5** below.

Table 5 - Borrower Distribution of Consumer Loans in Lenox Assessment Area January 1, 2005 through September 30, 2007								
Borrower 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	18.28	50.00	13.56	25.00	19.19	10.00	48.98	15.00

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

The bank’s lending to small businesses is satisfactory. The bank’s lending to small businesses exceeds the demographics in the AA and is reflected in **Table 6** below. Small businesses are defined as those with gross annual revenues of \$1 million or less.

Table 6 – Borrower Distribution of Loans of Businesses in Lenox Assessment Area January 1, 2005 through September 30, 2007		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	60.02%	4.47%
% of Bank Loans in AA #	75.00%	25.00%
% of Bank Loans in AA \$	72.82%	27.18%

Source: Loan Sample; 2007 Business Geodemographic Data

Note: 35.51% of businesses did not report revenues

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. The bank’s assessment area consists of 6 census tracts, all of which are middle- or upper-income tracts.

Responses to Complaints

Neither the bank nor the OCC received CRA complaints on Lenox National Bank since the prior examination on November 12, 2002.

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.