



PUBLIC DISCLOSURE

November 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank
Charter Number 22668
900 Memorial Drive
P.O. Box 1060
Pulaski, Virginia 24301**

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

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 **Community National Bank** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as November 23, 1998. 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**.

The Community National Bank has a satisfactory record of meeting the credit needs of its community, including low- and moderate-income individuals. This assessment is based on an appropriate level of loan originations, a good level of lending within the bank's assessment area, and a reasonable level of lending to borrowers of different income levels and businesses of different sizes.

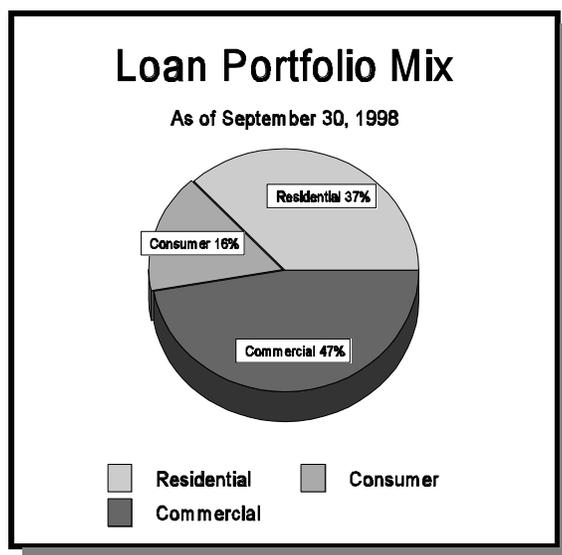
The following table indicates the performance level of **Community National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>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	Not performed considering the demographics of the assessment area.		
Response to Complaints	No complaints were received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

Community National Bank (CNB) is a wholly-owned subsidiary of CNB Holdings, Inc., a one bank holding company. CNB is a de novo institution which opened on August 29, 1994 and is located in Pulaski, Virginia. As of September 30, 1998, CNB had total assets of \$52 million, net loans of \$27 million, total deposits of \$48 million, and capital of \$3.2 million. The institution has two offices in Pulaski and two automated teller machines. One automated teller machine is located at their main office and the other at New River Community College.

CNB offers a variety of banking products and services to help meet the credit needs of its community. Credit needs include residential, agricultural, consumer, and commercial loans. The type and quantity of loans in the bank's portfolio reflect positively on the bank's efforts to meet the credit needs of its community. Management focuses on residential and commercial lending but also makes consumer loans. The bank's loan portfolio represents 53% of total assets. The following graph illustrates the composition of the bank's loan portfolio:



DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area is Pulaski County, Virginia. The assessment area includes seven block numbering areas (BNAs), all of which are considered middle income tracts. Pulaski County is located in a rural area of southwest Virginia, known as the New River Valley. It is approximately 53 miles southwest of Roanoke, VA and 150 miles north of

Charlotte, NC. Pulaski County consists of 327 square miles and has a population of 34,496. The area has convenient access to Interstate 81 and Interstate 77 which are located nearby. The county has two incorporated towns, Dublin and Pulaski. Both towns trace their origin to the expansion of the rail system.

There are 9,865 families in the assessment area. The Non-Metropolitan Statistical Area median family income for the assessment area is \$35,900. The following table shows the number and percentage of families by income for the assessment area:

Families of the AA by Income Levels		
Income Level	# of Families	% of Total Families
Low	1,940	20
Moderate	1,955	20
Middle	1,996	20
Upper	3,974	40
Total	9,865	100

The county has a diverse, stable economy with an unemployment level of 6%. Agricultural production is a significant contributor to the local economy as well as government employment, and the textile, apparel and furniture industries. Large local employers include: Radford Army Ammunitions, Volvo-GM Heavy Trucks, Renfro Corporation, and Pulaski Furniture.

Discussions with bank officials and local economic development leaders indicate community credit needs include small business loans, small dollar personal loans, home improvement financing, and residential real estate loans. Existing bank products address these identified needs.

CNB's major competitors are the First National Bank of Christiansburg and First Citizens Bank. Both competitors have offices in Pulaski County. Other competitors include branches of multi-national and regional banks, mobile home lenders, mortgage companies, and finance companies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

CNB's loan to deposit ratio, while low, is reasonable given the age of the bank, local competition, and the bank's legal lending limit. The bank's loan to deposit ratio averaged 54% since March 1996. The peer average was 67%. The peer group includes other de novo banks with similar total asset size and assessment areas in Virginia. The loan to deposit ratio of the peer banks range from 53% to 84%. CNB falls within the range.

Lending in the Assessment Area

A majority of the bank's loans are located within the assessment area. Eighty-one percent (81%) of the number of loans extended are located within the assessment area and seventy-seven percent (77%) of the dollar volume of loans is located within the area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Community National Bank has reasonable penetration among borrowers of different income levels and to businesses of different sizes given the demographics of the AA.

The consumer and real estate loan sample of 78 loans revealed that 8% of the consumer and residential loans combined were made to low-income borrowers, 21% to moderate-income borrowers, 19% to middle-income borrowers, and 52% to upper-income borrowers. One factor contributing to the small percentage of combined consumer and real estate loans to low-income borrowers is the fact that CNB does not offer real estate loan products endorsed by the government or other agencies that are targeted to low-income families. Therefore, we further assessed the lending of income levels by sampling 20 consumer loans of \$4,000 or less. The sample of small dollar loans revealed that 45% of the loans went to low-income borrowers, 20% to moderate-income borrowers, 30% to middle-income borrowers, and 5% to upper income borrowers. The following table illustrates lending to various income levels:

1998 Residential and Consumer Lending by Income Level						
Income Level	Residential and Consumer Sample		% of Families in the Assessment Area	Sample of Consumer Loans Less than \$4,000		% of Families in the Assessment Area
	#	% of total		#	% of total	
Low	6	8	20	9	45	20
Moderate	16	21	20	4	20	20
Middle	15	19	20	6	30	20
Upper	41	52	40	1	5	40
Total	78	100	100	20	100	100

The institution's commercial lending is targeted to small businesses. This type of lending has resulted in new businesses being established in the community and the creation of local jobs. A sample of commercial purpose loans revealed that 21 out of 31 commercial loan relationships or 68% were to small businesses. A small business is identified as a business with annual revenues less than one million dollars.

Geographic Distribution of Loans

Based on the demographics of the AA and the fact that there are no low or moderate income geographies, a geographic analysis of CNB's distribution of loans is not meaningful.

Response to Complaints

The bank has received no CRA related complaints.

Compliance with Anti-Discrimination Laws

No violations of the substantive provisions of the anti-discrimination laws and regulations were found during our fair lending review.