



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank
Charter Number 22982**

**Post Office Box 817
South Boston, Virginia 24592**

**Office of the Comptroller of the Currency
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 of February 27, 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**.

Community National Bank (CNB) demonstrates satisfactory performance in meeting its community's credit needs. This is evidenced by a reasonable loan to deposit ratio and a majority of the bank's loans and lending related activities being within its assessment areas. The bank's lending activity also shows very good distribution among businesses of different sizes and individuals of different income levels. The bank's lending activities within its assessment areas are reasonably distributed based on the geographic distribution of the areas' census tracts and block numbering areas.

INSTITUTION'S CRA RATING, VIRGINIA: **Satisfactory**

Community National Bank has a satisfactory record of meeting the credit needs of its community in the Virginia portion of its assessment area. This assessment is based on a high level of lending in the Virginia assessment area and a reasonable level of lending to borrowers of different income and businesses of different sizes.

INSTITUTION'S CRA RATING, NORTH CAROLINA: **Satisfactory**

Community National Bank has a satisfactory record of meeting the credit needs of its community in the North Carolina portion of its assessment area. This assessment is based on a high level of lending in the North Carolina assessment area and a reasonable level of lending to borrowers of different income and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Community National Bank (Virginia and North Carolina) 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:

Community National Bank (CNB) is a \$143 million community bank. In addition to its South Boston, Virginia, headquarters, the bank operates six branches. Four branches are located in Halifax and Mecklenburg Counties, Virginia. The other two are in North Carolina, with one in Vance County and the other in Franklin County. The North Carolina locations opened in mid-1997. There are no constraints on the bank's ability to meet various credit needs within its assessment area. Lending activity has been moderate over the past year, with growth primarily in the commercial real estate category. The loan portfolio is distributed, by percentage, as follows: commercial real estate 69%; residential real estate 15%; commercial 8%; and consumer loans 8%. Additional residential real estate lending activity, which is not reflected on the bank's books, is facilitated through an associated entity, the Mortgage Company of Virginia.

DESCRIPTION OF ASSESSMENT AREA:

Halifax County and Mecklenburg County, Virginia:

This assessment area comprises seventeen block numbering areas (BNA's) in a predominantly rural region of southern Virginia. The population of the two counties combined, based on 1990 census data, is 58,274. Population in the area is considered stable, although it declined slightly during the period of 1980 to 1990. Two of the BNA's are designated as moderate income, twelve are middle income, and three do not contain enough households to provide a determination. The estimated non-MSA (Metropolitan Statistical Area) median family income for Virginia, based on 1997 data, is \$34,800.

The area's largest employment sectors, in descending order, are manufacturing, services, retail trade, and government. Manufacturing industries include textiles, wood, furniture, electronics, metalworking, plastics, and pet food. Burlington Industries, a textile manufacturer, is the region's largest employer. Total employment grew slightly during the 1980's, although at a slower rate than the state of Virginia as a whole experienced. Projections for the 1990's show stable overall levels, but with growth in the services sector.

Vance County and Franklin County, North Carolina:

This portion of the bank's designated assessment area comprises eight census tracts and ten block numbering areas. Total population for the two counties combined, based on 1990 census data, is 75,306. The census tracts are located in Franklin County, which is part of the Raleigh-Durham-Chapel Hill, NC, MSA. Eight of the census tracts/BNA's are designated as moderate income, eight are middle income, and two are upper income. These designations are based on the area's weighted average of the MSA/non-MSA median family income for 1997, which is estimated at \$42,689.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio:

Community National Bank exhibits a reasonable loan to deposit ratio when considering levels achieved by other banks of this size and structure across the nation. National figures were used for comparison purposes, since there are no community banks headquartered in CNB's assessment area. The bank's loan to deposit ratio has averaged 72% over the past eight quarters and was 69% as of September 30, 1997. The industry average over the same period was also 72%. The area is predominately served by branches of larger banks headquartered outside the assessment area. A total of ten banks, with 26 branches, are located in the two Virginia counties. The North Carolina portion contains eight banks with a total of 17 branches.

The bank also facilitates credit in its assessment area that is not reflected on its balance sheet. Customers are often referred to the bank's associated company, the Mortgage Company of Virginia, for conventional residential mortgages. The Mortgage Company of Virginia participates in programs offered by the Virginia Housing Development Authority which benefit borrowers with low and moderate income levels.

Lending Within the Assessment Area:

Virginia:

A substantial majority of Community National Bank's lending activity is within the assessment area. Based on a sample of credits reviewed during this activity, 95% of the bank's originations were within the assessment area.

North Carolina:

We reviewed the bank's entire trial balance of consumer loans for the North Carolina branches and found the majority of loans to be in the bank's assessment area. Eighty percent of these loans were to customers who reside in either Franklin or Vance Counties.

Borrowers of Different Incomes and Businesses of Different Sizes:

Virginia:

The bank's lending activity exhibits very good distribution among individuals of different income levels. This examination indicates that 63% of the sampled consumer purpose loans that were made in 1997 were to borrowers with low or moderate income levels. As the table below indicates, this

compares favorably to area demographics as 42% of families in the assessment area have low or moderate income levels.

The bank's lending activity also exhibits good distribution among small businesses. Eighty three percent of business loans made in 1997 were to small businesses.

North Carolina:

The bank's lending activity in North Carolina indicates very good distribution among individuals of different income levels. Our sample of consumer purpose loans made in 1997 indicates that 65% were made to borrowers with low or moderate income levels. As the table below shows, this compares favorably to the area demographics which indicate that 48% of families in the assessment area have low or moderate income levels.

The bank's lending activity in North Carolina also exhibits good distribution among small businesses. Ninety two percent of business loans made in 1997 were to small businesses.

	VIRGINIA		NORTH CAROLINA	
Income Level	% of Families in Assessment Area	% of Sample Consumer Loans	% of Families in Assessment Area	% of Sample Consumer Loans
Low	22%	25%	27%	54%
Moderate	20%	38%	21%	11%
Middle	22%	25%	22%	26%
Upper	36%	12%	30%	9%

Geographic Distribution of Loans:

Virginia:

There is a reasonable distribution of loans made by the bank within the Virginia portion of its assessment area. All of the BNA's in the Virginia area are middle income with the exception of two. Our sample of customers where census tract or BNA data were available, indicated that 53% were from moderate income areas. CNB has a branch in each of the moderate income BNA's, which include Chase City and Clarksville. Our sample revealed an adequate distribution of loans surrounding the bank's branch locations.

North Carolina:

Lending within this portion of the bank's assessment area is also well distributed. Our sample of customers where census tract or BNA data were available, indicated that 83% were from moderate income areas. This compares well with the demographics of the area, which indicate nearly half of the census tracts and BNA's are moderate income.

Other Information:

The bank has not received any written complaints regarding its CRA performance since the prior examination.

No violations of the substantive provisions of antidiscrimination laws and regulations were identified during this examination.