



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

February 13, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Community National Bank
Charter Number 17595**

**1400 East Second Street
Franklin, Ohio 45005**

**Comptroller of the Currency
325 Cramer Creek Court, Suite 101
Dublin, Ohio 43017**

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 bank's loan-to-deposit ratio is reasonable and commensurate with those demonstrated by peer banks.
- CNB's lending in its Assessment Areas (AA) is good. A majority of home mortgage and loans to small businesses were granted to borrowers located in the AAs.
- The bank's distribution of home mortgage lending reflects a good penetration among borrowers of different income levels including low- and moderate-income levels.
- CNB's record of lending to businesses of different sizes is excellent.
- The bank's distribution of home mortgage loans reflects good penetration among geographies of different income levels throughout its AAs.

DESCRIPTION OF INSTITUTION

The Community National Bank (CNB) is a wholly owned subsidiary of a one-bank holding company, Community National Corporation. Both CNB and the holding company are headquartered in the city of Franklin, Warren County, Ohio. Franklin is situated between the Cincinnati-Middletown MSA and the Dayton MSA. CNB operates five offices including the main office in Franklin. One branch is located in the southern portion of the Dayton MSA and the other four are located in Warren and Butler Counties in the northern portion of the Cincinnati-Middletown MSA. The main office is located in the middle of four moderate-income census tracts. The Middletown office is located in a middle-income census tract; however, ten low- and moderate-income census tracts are within two miles of this office. The Middletown branch was purchased in 2004 and CNB has never closed a branch. All offices have drive-up facilities and all are equipped with automated teller machines (ATMs). Competition for loans and deposits is strong and comes from local and regional banks. CNB offers a wide range of traditional banking products. CNB's primary lending focus is residential real estate and small business. CNB reported total assets of \$135 million as of September 30, 2005. Gross loans were 74% total assets. Table 1 reflects a breakdown of the loan portfolio.

Loan Portfolio Mix September 30, 2005		
	Volume (\$000)	% of Gross Loans
Residential Real Estate Loans	90,685	91%
Commercial Loans	4,692	5%
Consumer Loans	4,574	4%
Agricultural Loans	15	Nil
Total	99,966	100%

No financial or legal impediments exist that would affect the bank's ability to meet the credit needs of its community. CNB's previous CRA rating, as of October 18, 1999, was

“Satisfactory.”

DESCRIPTION OF ASSESSMENT AREAS

CNB’s main office is located near the intersections of Butler, Warren, and Montgomery Counties (Cincinnati-Middletown MSA and the Dayton MSA) in Warren County (Cincinnati-Middletown MSA). CNB operated in two MSA Assessment Areas (AAs) during the evaluation period. During 2003, the bank’s main office and two branches were located in the Cincinnati MSA AA. This AA also includes two census tracts in Butler County, Ohio. Butler County was a separate MSA in 2003; however, because of the proximity to the main office and branches, these census tracts were incorporated into the Cincinnati AA. In 2004, the bank purchased an existing branch in Middletown, (Butler County) Ohio. The Hamilton-Middletown MSA (Butler County) was merged with the Cincinnati MSA AA in 2004. CNB also operates a branch in Centerville, Ohio, which is in the Dayton MSA AA (Montgomery County).

Cincinnati-Middletown MSA Assessment Area

The Cincinnati MSA includes 15 counties in Southwestern Ohio, Northern Kentucky, and Southeastern Indiana. The bank’s AA is a small section at the far north of this MSA and includes parts of two counties, Butler and Warren. The entire MSA is heavily commercial and portions have experienced substantial new housing construction in recent years. The AA is located in two of the fastest growing counties in the state. The economy and employment are strong. The main office and the Springboro branch are located near Interstate 75, a major north-south highway. This 2003 AA contained no low-income and four moderate-income census tracts. All of the moderate-income census tracts are centered around the bank’s main office.

In 2004, CNB purchased an existing branch located in Middletown, Ohio, and expanded this AA south to include the market served by this branch. This increased this AA to 31 census tracts including one low-income and 13 moderate-income census tracts. The AA population is 110,000 and includes 5,820 businesses. Low-income families comprise 18.97% of total families and moderate-income families equal 20.89% of total families. Nine percent of families are below the poverty rate and the Weighted Average HUD Updated MSA Median Family Income is \$63,750. The Weighted Average Median Housing price equals \$113,998 and 68% of housing units are owner-occupied. CNB is fifth in market share in Warren County with 6.18% of the deposit market (per FDIC Market Share Reports dated June 30, 2005) and 19th in Butler County with 0.08% of the deposit market. Seventeen institutions serve Warren County and 22 serve Butler County. Competition comes from large nationwide and regional banks as well as local institutions.

The following tables summarize the AA geographies by income composition:

Cincinnati MSA Assessment Area 2003				
	<i>Low-Income</i>	<i>Moderate-Income</i>	<i>Middle-Income</i>	<i>Upper-Income</i>
<i>Butler County</i>	0	0	2	0
<i>Warren County</i>	0	4	4	4
Totals	0	4	6	4

Cincinnati-Middletown MSA Assessment Area 2004				
	<i>Low-Income</i>	<i>Moderate-Income</i>	<i>Middle-Income</i>	<i>Upper-Income</i>
<i>Butler County</i>	1	9	7	1
<i>Warren County</i>	0	4	5	4
Totals	1	13	12	5

Dayton MSA Assessment Area

The Dayton MSA is comprised of four counties in west central Ohio. The population of the MSA is 848,000. CNB operates one branch in this MSA, located in Centerville, Ohio, in the southern portion of the MSA. CNB's AA includes 26 census tracts. One is moderate-income and 25 are upper- or middle-income. The one moderate-income census tract is located in downtown Centerville and includes a large multi-family complex. This complex is not subsidized, but requires below market rent. Because of this situation, the owner occupancy in this census tract is very low at 56% and includes only 986 households. The weighted average HUD updated MSA median family income for the Dayton MSA is \$56,800. The weighted average median housing price in the MSA is \$133,912. Competition in this MSA is strong. Thirty-two institutions have 262 offices in the MSA. CNB ranks 29th with 0.10% of the deposit market share.

The following table summarizes the income composition of the Dayton MSA AA geographies:

Dayton MSA Assessment Area				
	<i>Low-Income</i>	<i>Moderate-Income</i>	<i>Middle-Income</i>	<i>Upper-Income</i>
<i>Montgomery County</i>	0	1	12	13
Totals	0	1	12	13

A community contact was made during the examination to help ascertain the credit needs of the AA. The immediate credit needs of the area are quality affordable housing, personal loans, small business loans, as well as donations to assist needy families. The contact stated the credit needs are being fulfilled.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We evaluated the bank'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. We analyzed loan purchases and originations from 2003, 2004, and 2005. For mortgage lending we utilized HMDA Loan Application Register reports, and for business lending, we sampled files as detailed below in the CONCLUSIONS ABOUT PERFORMANCE

CRITERIA section.

Based on criteria for the CRA lending test, this bank's lending performance is Satisfactory. We weighted the Cincinnati-Middletown AA more heavily than the Dayton MSA AA because the majority of the bank's branches, loans, and deposits were located in the Cincinnati-Middletown AA.

Loan-to-Deposit Ratio

CNB's loan-to-deposit (LTD) ratio is good and supports satisfactory performance. The LTD was 78.38% on December 31, 2005. The average LTD ratio of over the last 26 quarters since the last CRA examination (October 18, 1999) was 77.73%, ranging from a high of 87.57% on December 31, 2003, to a low of 71.64% on September 30, 2005. The LTD ratios are reasonable and meet the requirements for satisfactory performance. For analysis purposes, CNB's current and average LTD ratios were compared with a custom peer group consisting of 37 banks of similar size located within the state of Ohio. This analysis shows that CNB's ratios were slightly below this peer group average of 81.74% (September 30, 2005).

Lending in Assessment Area

Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	266	70%	116	30%	382	33,460	75%	11,250	25%	44,710
Business	32	80%	8	20%	40	3,637	72%	1,400	28%	5,037
Totals	298	71%	124	29%	422	37,097	75%	12,650	25%	49,747

Source: Business loan sample and 2003-2005 HMDA data

CNB originated the majority of loans within its identified AAs and demonstrates satisfactory performance. As shown in the above table, 71% of loans by number and 75% of loans by dollar amount were within the AAs.

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

Overall distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable.

The distribution of residential real estate lending reflects adequate penetration among individuals of different income levels including low- and moderate-income borrowers. The bank's record of lending to businesses of different sizes is excellent and further supports the overall satisfactory performance in this area. The tables below detail the bank's borrower distribution performance in each AA and data year analyzed.

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
Home Purchase	19%	9%	21%	26%	24%	23%	36%	42%

Refinance	7%	10%	21%	62%
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Source: 2000 U.S. Census and 2004-05 HMDA data.

Table 2a - Borrower Distribution of Residential Real Estate Loans 2003 Cincinnati MSA (1640)								
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
Home Purchase	15%	0%	18%	22%	24%	22%	43%	56%
Refinance		1%		9%		25%		65%

Source: 2000 U.S. Census and 2003 HMDA data.

Table 2b - Borrower Distribution of Residential Real Estate Loans 2004-05 Dayton MSA (19380)								
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
Home Purchase	11%	21%	15%	17%	21%	29%	53%	36%
Refinance		0%		14%		33%		50%

Source: 2000 U.S. Census and 2004-05 HMDA data.

Table 2c - Borrower Distribution of Residential Real Estate Loans 2003 Dayton-Springfield MSA (2000)								
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
Home Purchase*	11%	0%	15%	14%	20%	0%	54%	67%
Refinance*		0%		17%		0%		79%

Source: 2000 U.S. Census and 2003 HMDA data. (Only 6 home purchase loans and 14 refinance loans. *2 loans did not report income data.)

Table 3 – 2004-2005 Borrower Distribution of Loans to Businesses in the Cincinnati/Middletown MSA AA (17140)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63%	6%	31%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%

% of Bank Loans in AA by \$	84%	16%	0%	100%
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Source: Business loan sample, 2005 Business Geodemographic Data. * 32% of AA businesses did not report revenue

Table 3a – 2003 Borrower Distribution of Loans to Businesses in the Cincinnati MSA AA (1640)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66%	6%	28%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	78%	22%	0%	100%

Source: Business loan sample; 2003 Business Geodemographic Data.

Table 3b – 2004-2005 Borrower Distribution of Loans to Businesses in the Dayton-Springfield MSA AA (19380)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64%	6%	30%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Business loan sample, 2005 Business Geodemographic Data.

Table 3c – 2003 Borrower Distribution of Loans to Businesses in the Dayton-Springfield MSA AA (2000)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64%	7%	29%	100%
% of Bank Loans in AA by #	92%	8%	0%	100%
% of Bank Loans in AA by \$	98%	2%	0%	100%

Source: Business loan sample; 2003 Business Geodemographic Data. * 29% of AA businesses did not report revenue

Cincinnati-Middletown AA

Overall borrower distribution is adequate. Borrower distribution for home purchase loans is adequate. CNB's loans to low-income borrowers were significantly below the percent of low-income families in the AA in 2003, although improved dramatically in the higher volume period of 2004-2005. The bank's 2003 AA contained no low-income census tracts (a higher concentration of low-income borrowers tend to live in low-income census tracts) and the relatively high cost of housing may make it difficult for low-income families to afford single-family housing. The bank's penetration of loans to low-income borrowers is considered poor. However, the percent of home purchase loans to moderate-income borrowers exceeded the

percent of moderate-income borrowers in the AA for the same time period. Borrower distribution for home mortgage refinance loans was poor in both time periods as lending levels fell below the percent of families defined as low- and moderate-income.

Business Loans:

Farm lending is not a material business for the bank, therefore we only analyzed business loans. CNB’s performance in lending to small businesses is excellent. The bank’s number and dollar amount of loans it originated to businesses with revenues of \$1 million or less exceeded the percent of businesses with revenues less than \$1 million in both time periods.

Dayton AA:

Borrower Distribution in the Dayton AA is excellent, although the total number of real estate home mortgage loans in this AA is low. Only 22 home mortgage loans were granted in 2004 & 2005 and 20 loans in 2003. The total number of loans each year is relatively low. As discussed in the Dayton MSA Assessment Area section, this AA is heavily banked and CNB’s market share of deposits is low at 0.10%. In addition, the one CNB office (0.4% of the total of 262 banking offices in the MSA) is located in a downtown business area. Home purchase loans to low-income families in 2004-2005 greatly exceeded the percent of low-income families in the AA. No home purchase loans were made to low-income families in 2003. Home purchase loans to moderate-income families were slightly above the number of families defined as such in 2004-2005 and nearly equal to the number of families in 2003. Refinance loans are adequate considering the small number of loans. No refinance loans were granted to low-income families in either period. However, refinance loans to moderate-income families exceeded the percent of moderate-income families in the AA in 2003 and were slightly below this percent in 2004-2005.

Business Loans:

Farm lending is not a significant business for the bank, therefore, we analyzed only business loans. CNB’s performance in granting loans to small businesses is excellent. The portion of the bank’s loans to businesses with revenues of \$1 million or less exceeds the percent of businesses that have revenue of \$1 million or less.

Geographic Distribution of Loans

The distribution of home mortgage loans reflects good penetration among geographies of different income levels throughout its AAs. Home mortgage lending is good and small loans to businesses are adequate. We found no evidence that any census tracts were excluded from lending activities. The following tables detail the lending activity in different census tract income levels.

Table 4 - Geographic Distribution of Residential Real Estate Loans 2004-05 Cincinnati-Middletown MSA (17140)				
Census Tract Income Level	Low	Moderate	Middle	Upper

Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	33%	35%	44%	29%	23%	36%
Refinance		0%		46%		28%		26%

Source: 2000 U.S. Census and 2004 & 2005 HMDA data.

Table 4a - Geographic Distribution of Residential Real Estate Loans 2003 Cincinnati MSA (1640)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	23%	45%	42%	33%	35%	22%
Refinance		0%		36%		44%		20%

Source: 2000 U.S. Census and 2003 HMDA data.

Table 4b - Geographic Distribution of Residential Real Estate Loans 2004-05 Dayton MSA (19380)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	2%	0%	39%	44%	59%	56%
Refinance		0%		0%		50%		50%

Source: 2000 U.S. Census and 2004 & 2005 HMDA data.

Table 4c - Geographic Distribution of Residential Real Estate Loans 2003 Dayton-Springfield MSA (2000)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	2%	0%	40%	50%	58%	50%
Refinance		0%		0%		50%		50%

Source: 2000 U.S. Census and 2003 HMDA data.

Table 5 - Geographic Distribution of Loans to Businesses 2004-05 Cincinnati/Middletown MSA (17140)								
Census Tract Income Level	Low (0)		Moderate (0)		Middle (10)		Upper (10)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	4%	0%	39%	20%	37%	20%	20%	60%

Source: Loan sample; D and B data.

Table 5a - Geographic Distribution of Loans to Businesses 2003 Cincinnati MSA (1640)								
Census Tract Income Level	Low (0)		Moderate (0)		Middle (7)		Upper (10)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	0%	0%	31%	50%	39%	20%	30%	30%

Source: Loan sample; D and B data.

Table 5b - Geographic Distribution of Loans to Businesses 2004-05 Dayton MSA (19380)								
Census Tract Income Level	Low (0)		Moderate (0)		Middle (2)		Upper (0)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	0%	0%	2%	0%	35%	25%	64%	75%

Source: Loan sample; D and B data.

Table 5c - Geographic Distribution of Loans to Businesses 2003 Dayton-Springfield MSA (2000)								
Census Tract Income Level	Low (0)		Moderate (0)		Middle (2)		Upper (0)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	0%	0%	2%	0%	35%	15%	63%	85%

Source: Loan sample; D and B data.

Cincinnati-Middletown AA:

CNB's geographic distribution of loans is good. The Cincinnati-Middletown AA contains one low-income census tract (3.2%) in 2004-2005 and no low-income census tracts in the 2003 AA. Home mortgage loans to borrowers located in moderate-income census tracts exceeded the percent of owner occupied housing in those census tracts for both home purchase and home mortgage refinance loans in 2004-05 and 2003. While the AA had one low-income census tract, no home mortgage loans were reported to borrowers in this tract as no owner-occupied housing is reported for this area as it is an urban business area.

Business Loans:

The level of loans to businesses located in low- or moderate-income census tracts is adequate. In 2004-2005, the low-income census tract contained 4% of the total businesses in the AA. The bank did not originate any loans to businesses located in this census tract (based on our loan sample). Loans to businesses in moderate-income census tracts were less than the number of businesses located in these geographies for 2004-2005. In 2003, the bank's loans to businesses in moderate-income geographies exceeded the percent of businesses located in those geographies.

Dayton AA:

Geographic distribution of loans in this AA is less significant to the overall geographic distribution portion of the lending test. Loan volume is much lower in this AA and there is only one moderate-income census tract with few owner occupied homes and a low number of businesses.

Responses to Complaints

Neither the bank nor the Office of the Comptroller of the Currency has received any complaints regarding CNB's performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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