



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 04, 2011**

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

The Citizens National Bank of Woodsfield  
Charter Number 13847

143 S. Main Street  
Woodsfield, OH 43793

Office of the Comptroller of the Currency

NORTHERN OHIO Field Office  
200 Public Square Suite 1610  
Cleveland, OH. 44114-2301

**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 major factors supporting the bank's rating include:

- The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.
- A substantial majority of lending activity has occurred inside the bank's Assessment Areas and exceeds the standard for satisfactory performance.
- The distribution of home mortgage loans to borrowers of different incomes reflects reasonable penetration and meets the standards for satisfactory performance.
- The geographic distribution of home mortgage loans reflects excellent dispersion and exceeds the standards for satisfactory performance.

**SCOPE OF EXAMINATION**

The evaluation time period is May 17, 2004 (the date of the previous evaluation) through January 4, 2011. We analyzed home mortgage loan activity from January 1, 2008 through June 30, 2010. All home mortgage data was considered in our analysis. Using bank-generated loan origination reports for the evaluation period, we determined the bank's primary product is home mortgage loans. This product is representative of the bank's business strategy since the last examination.

Citizens National Bank of Woodsfield (CNBW) has two assessment areas (AA) for evaluation purposes as discussed under the **Description of the Assessment Area** section. The primary AA consists of Monroe County, a non-Metropolitan Statistical Area (MSA). We selected this area for a full-scope review, as it contains the bank's headquarters, the majority of its branch locations, and a substantial majority of its lending and deposit activity.

The bank's second AA includes three census tracts in southwestern Belmont County surrounding its Barnesville branch. These tracts comprise a portion of the Wheeling WV-OH MSA. We assessed the bank's performance in this AA using limited-scope procedures, as only a small portion of the bank's operations and lending stem from this area.

Information from members of the local community was also considered in our analysis. We contacted three community organizations involved in affordable housing and economic development initiatives to determine the community's credit and non-credit needs. Refer to the **Description of Assessment Area** section of this document for additional details.

**DESCRIPTION OF INSTITUTION**

CNBW is a full service community bank headquartered in Woodsfield, Ohio that services all of Monroe County and the southwestern portion of Belmont County. As of June 30, 2010, the bank reported total assets of \$52 million. The bank is a wholly owned subsidiary of CNB Bancorp Inc, a one-bank holding company.

CNBW business strategy is to offer its customers a range of loan products including home mortgage, consumer, commercial, agricultural and municipal loans in addition to checking, savings, and time deposit accounts.

As of June 30, 2010, the bank's loan portfolio was comprised of real estate loans (87 percent), consumer loans (7 percent), and commercial loans (3 percent). The balance of the portfolio is in municipal and agricultural loans (3 percent). The real estate portfolio is comprised of home mortgage loans (74 percent), commercial real estate loans (21 percent), and agricultural loans (5 percent).

CNBW operates three full-service branches within its AAs. The bank opened one new office and ATM in Barnesville during the evaluation period. No offices were closed within this same timeframe.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The previous CRA evaluation, dated May 17, 2004, resulted in a rating of "Satisfactory".

## DESCRIPTION OF ASSESSMENT AREA

CNBW's primary assessment area is described below:

<b>Demographic Information for the Monroe AA</b>					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	4	0.00%	50.00%	50.00%	0.00%
Population by Income Level of Geography	15,180	0.00%	49.33%	50.67%	0.00%
Family Distribution by Income Level of Geography	4,421	0.00%	48.81%	51.19%	0.00%
Owner-Occupied Housing Units by Income Level of Geography	7,212	0.00%	48.10%	51.90%	0.00%
Businesses by Income Level of Geography	1,019	0.00%	55.44%	44.56%	0.00%
Farms by Income Level of Geography	59	0.00%	33.90%	66.10%	0.00%
Distribution of Families by Income Level Throughout AA	4,421	24.61%	23.73%	24.79%	26.87%

Businesses by Revenue Level	Revenue < = 1 Million	Revenue > 1 Million	Revenue not Reported
Farm	100.00%	0.00%	0.00%
Non-Farm	79.39%	2.05%	18.57%
HUD Adjusted Median (ADM) Family Income 2009 Non-MSA	= \$53,700	Unemployment Rate: June 2010	
Low Income (below 50% of ADM)	= \$0 - \$26,845	United States	= 9.7%
Moderate Income (50 to 79.99% of ADM)	= \$26,846 - \$42,955	Ohio	= 10.4%
Middle Income (80% to 119.99% of ADM)	= \$42,956 - \$64,435	Monroe County	= 13.6%
Upper Income (120% and above ADM)	= \$64,436 - Above		
Households Below the Poverty Level	= 875 [14.51%]		

**Sources:** 2000 U.S. Census; US Department of Labor; Dun and Bradstreet 2010

CNBW’s primary AA is comprised of four census tracts comprising all of Monroe County. Monroe County is not within any MSA. This AA is consistent with the requirements of the regulation.

COUNTY	MAJOR EMPLOYERS
Monroe	Monroe County Government, Switzerland of Ohio School District, Safe Auto Insurance, Ormet Primary Aluminum Corporation, Woodfield Nursing and Rehabilitation

**Sources:** Monroe County Auditor’s Office

There are 5 financial institutions serving the AA according to a June 30, 2010 Federal Deposit Insurance Corporation (FDIC) deposit market share report. These include one regional bank, one interstate bank, and three community banks, operating a total of 11 offices. The number of financial institutions in the AA provides a competitive banking environment. CNBW ranked third, with approximately fourteen percent of the insured deposit market.

Local economic conditions for the AA have weakened during the evaluation period. This includes the continued loss of mining and manufacturing jobs, fewer new businesses moving in to compensate for this loss, and uncertainty regarding continued employment in existing industries. The unadjusted unemployment rate for Monroe County at June 2010 was 13.6 percent. This unemployment rate is well above the State of Ohio unadjusted unemployment rate of 10.4 percent.

We determined the community’s credit needs by contacting representatives from an affordable housing organization and an economic development organization, as well as conducting discussions with bank management. Credit and non-credit needs of the community include:

- Funding for small business development programs to start a new business, expand any existing business, and for entities who do not qualify for traditional financing.
- Local bank participation in providing home ownership counseling to affordable housing clients.

- Funding for feasibility studies to expand economic development opportunities for the county.
- First time homeowner down payment assistance and rehabilitation loans to low- and moderate-income households.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is Satisfactory. This conclusion is based primarily on performance within the Monroe full-scope AA, as this is where the bank has a majority of its branches and deposits. Our analysis is based on all home mortgage loans originated by the bank within its AA during the evaluation period.

See the separate section entitled **Limited-Scope – Belmont AA** for information on the bank's borrower distribution performance in that limited-scope AA.

### Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance given the bank's size, financial condition, and the credit needs of the bank's AA. The bank's average quarterly loan-to-deposit ratio over the 25 quarters ending June 30, 2010 was 49.01 percent. This was well below the 65.42 percent experienced by its local peer group of banks during the same period.

Several factors help to mitigate the lower loan-to-deposit ratios. Unemployment rates in the AA are well above both state and national levels, and there is little demand for new housing due to a shrinking and aging population. Approximately twenty-six percent of households in the AA are retired, while thirty-five percent of households receive social security. Half of the AA consists of moderate-income census tracts, and 16 percent of households are below the poverty level. All of these conditions limit opportunities to provide additional lending services.

CNBW took a proactive approach toward increasing its loan-to-deposit ratio since our last evaluation. During the evaluation period, CNBW's net loan-to-deposit ratio increased from 43.87 percent at June 30, 2004 to 64.28 percent at June 30, 2010. Within this same timeframe, the net loan-to-deposit ratio for local peers declined from 64.31 percent to 55.10 percent. Furthermore, on a quarterly basis since June 30, 2009, CNBW's net loan-to-deposit ratio has surpassed the local peer ratio. Given the stressed economic conditions of recent years and the bank's performance to date, this performance is thus considered reasonable.

### Lending in Assessment Area

Table 1 details CNBW's aggregate lending in its AA by number of loan originations and dollar volume of originations during the evaluation period.

CNBW's record of lending in its AA exceeds the standards for satisfactory performance. A substantial majority of lending activity has occurred inside the bank's AA.

Approximately 93 percent of the number and dollar amount of loans originated during the evaluation period were located within the bank's AA.

<b>Table 1 – Lending in CNBW's Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	69	92.00	6	8.00	75	5,114	91.06	502	8.94	5,616
Home Improvement	17	94.44	1	5.56	18	1,204	97.97	25	2.03	1,229
Home Refinance	164	93.18	12	6.82	176	13,838	93.34	988	6.66	14,826
Totals	250	92.94	19	7.06	269	20,156	93.01	1,515	6.99	21,671

**Source:** Data reported under HMDA.

### Lending to Borrowers of Different Incomes

The borrower distribution of loans reflects reasonable penetration among borrowers of different incomes. Based on loan volume, home purchase and home refinance loan performance will receive greater weight in our analysis than home improvement loans. Refer to Table 2 for the primary data used to assess the borrower distribution of home mortgage lending in the AA.

<b>Table 2 – Borrower Distribution of Home Mortgage Loans in Monroe AA</b>								
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	24.61	16.36	23.73	23.64	24.79	36.36	26.87	23.64
Home Improvement	24.61	6.67	23.73	13.33	24.79	60.00	26.87	20.00
Home Refinance	24.61	12.06	23.73	22.70	24.79	25.53	26.87	39.01

**Sources:** Data reported under HMDA; 2000 U.S. Census data. Income information was not reported for 0.71% of home refinance loans.

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home purchase loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of loans to moderate-income borrowers is comparable to the percentage of moderate-income families in the area.

The distribution of home improvement loans reflects poor penetration among borrowers of different income levels. The percentages of home improvement loans to low- and moderate-income borrowers are significantly below the percentage of low-income families in the area.

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home refinance loans to low-income borrowers is significantly below the percentage of low-income families in

the area, the percentage of loans to moderate-income borrowers is comparable to the percentage of moderate-income families in the area.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Area** section for demographic information including poverty rates.

Consideration was also given to several other factors that impact our findings. Home Mortgage Disclosure Act data indicates that home improvement loans comprised only seven percent of the loans made during the evaluation period. In addition, management discussion noted that most home improvement projects are part of multi-purpose loan requests and reflected within the bank’s home refinance loan portfolio.

**Geographic Distribution of Loans**

The distribution of home mortgage loans reflects excellent dispersion among geographies of different income levels and in all census tracts of the AA. We based this conclusion on the performance from the Monroe AA only. As the Belmont AA has no low- and moderate-income census tracts, a geographic distribution analysis is not meaningful for that AA.

The percentage of home mortgage loans in moderate-income census tracts significantly exceeds the percentage of owner-occupied housing units located in those census tracts for all loan types. Refer to Table 3 for the primary data used to assess the geographic distribution of home mortgage loans in the AA. As noted in the **Description of the Assessment Area** section of this report, there are no low-income census tracts in this AA.

Table 3 – Geographic Distribution of Home Mortgage Loans in Monroe AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	0.00	0.00	48.10	67.27	51.90	32.73	0.00	0.00
Home Improvement	0.00	0.00	48.10	73.33	51.90	26.67	0.00	0.00
Home Refinance	0.00	0.00	48.10	65.96	51.90	34.04	0.00	0.00

**Sources:** Data reported under HMDA; 2000 U.S. Census data.

**Limited Scope – Belmont AA**

CNBW’s Belmont AA is comprised of three middle-income census tracts in southwestern Belmont County, Ohio. This AA is part of the Wheeling WV-OH MSA and

includes the bank’s Barnesville branch.

Based on the limited scope review, CNBW’s performance in the Belmont AA is not inconsistent with the bank’s overall reasonable performance in the Monroe AA. Our analysis is based on 28 loans originated by the bank within the AA during the evaluation period.

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	23.24	21.43	20.20	21.43	22.33	21.43	34.22	35.71
Home Improvement	23.24	0.00	20.20	50.00	22.33	0.00	34.22	50.00
Home Refinance	23.24	8.70	20.20	8.70	22.33	52.17	34.22	26.09

**Sources:** Data reported under HMDA; 2000 U.S. Census data. Income information was not reported for 4.35% of home refinance loans within the Belmont AA.

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. Although percentages of home purchase loans to low- income borrowers are slightly below the number of low-income families within the AA, the percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in the area.

The distribution of home improvement loans reflects reasonable penetration among borrowers of different income levels. Although no home improvement loans were made to low-income borrowers in the area, home improvement loans to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the area.

The distribution of home refinance loans reflects poor penetration among borrowers of different income levels. Percentages of home refinance loans to low- and moderate-income borrowers are significantly below the percentage of low- and moderate-income families in the area.

Consideration is given to several factors which impact these findings. The area’s poverty level of 16 percent limits opportunities to lend to the low-income segment of the community. This was the bank’s first entry into Belmont County and was just establishing its presence in the community during most of the evaluation period. Discussion with management noted approximately 70 percent of the loan portfolio in that office consists of commercial real estate loans. The remaining percentage is split between home mortgage, commercial, and installment loan portfolios. Furthermore, the area’s rising unemployment level and uncertainty of continued employment offer limited opportunities to originate these types of loans.

As previously noted, an evaluation of the geographic distribution of loans is not

meaningful in the limited-scope AA as there are no low- or moderate-income geographies in this AA.

### **Responses to Complaints**

CNBW has not received any written complaints during the evaluation period regarding its performance in meeting the credit and deposit needs of its AA.

### **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.