



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

August 23, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens National Bank of McConnellsville
Charter Number #5259**

**100 East Main Street
McConnellsville, Ohio 43756**

**Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 202
Dublin, Ohio 43017**

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 **The Citizens National Bank of McConnelsville**, McConnelsville, Ohio as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **August 23, 1999**. 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: Satisfactory record of meeting community credit needs.

- The bank's lending to borrowers of different income levels and businesses of different sizes is reasonable.
- A majority of the bank's lending activity occurs within its assessment area and is reasonably dispersed throughout the area.
- The bank's loan-to-deposit ratio over the last 13 quarters is reasonable in comparison with the ratios of its peer banks.

DESCRIPTION OF INSTITUTION

The Citizens National Bank of McConnelsville (CNB) is an independent community bank with its main office in McConnelsville, Ohio, which is approximately 90 miles southeast of Columbus, Ohio. During the first quarter of 1997, the bank opened a branch in Duncan Falls, Ohio, which is about 15 miles north of McConnelsville, Ohio. Both locations offer an on-premise ATM. From their two locations, the bank offers mainly residential home loans, personal loans, and commercial real estate loans.

As of June 30, 1999, the bank had total assets of \$46.6 million with net loans comprising 60.3% of that asset base. Residential real estate loans are 52.5% of the loan portfolio, with personal loans representing 14.3% and commercial real estate accounting for 22.8% of the portfolio.

The bank's last CRA rating was satisfactory as of May 17, 1996. No legal or financial impediments exist that could restrict the institution's ability to serve the community's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's Assessment Area (AA) is comprised of eight or 80% middle-income and two or 20% moderate-income Block Numbering Areas (BNAs). The AA includes the three middle-income and the one moderate-income BNAs that comprise Morgan County. It also includes five middle-income (#9822, #9824, #9825, #9826, and #9827) and one moderate-income (#9820) BNAs in the southern third of Muskingum County. The AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. As of the 1990 Census, the AA had a population of 38,804. The 1998 State of Ohio rural area median family income is \$40,500. Of all the families living in the AA, 24.4% are classified as low-income (with 13.4% living below the poverty level), 20.0% are classified as moderate-income, 25.9% are classified as middle-income, and 29.7% are classified as upper-income. Businesses with revenues of less than \$1,000,000 account for 90.1% of all the business entities in the AA.

With the highest unemployment level in the state in June 1999 at 13.2%, the economy of Morgan County remains distressed. This compares unfavorably with the state of Ohio's unemployment rate of 4.5%. Employment in the county is centered in manufacturing and government. The largest employers in the county are American Electric Power, Malta Windows, the County Government, Federal Mogul, Dana Corporation, and Mark West Center. Primary competition comes from two community banks and branches of two larger community banks headquartered in other counties. The southern third of Muskingum County is mostly residential and rural and serves mainly as a bedroom community for a neighboring larger city. As of the 1990 Census, the AA had 10,988 owner-occupied housing units, representing 67% of total housing units.

Our discussion with a local public official focused on the economic and banking needs of Morgan County. The need for home loan financing for low-income families is being met by the local financial institutions. There is very little need for small business financing given the current state of the economy. The largest need is for large employers to relocate in Morgan County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio -

The bank's loan-to-deposit (LTD) is reasonable. Over the past 13 quarters since the last CRA examination, the bank's LTD ratio averaged 73.0%. This compares favorably to a national peer bank average of 69.2% and a regional peer average of 72.4%. Regional peers consist of banks of similar size and similar loan portfolio structures in Indiana, Ohio, Kentucky, and West Virginia. The bank's present LTD ratio of 74.9% compares favorably to the range of LTD ratios of 70% to 94% exhibited by four banks in the AA.

Lending in Assessment Area -

The bank makes a majority of its loans within its AA. We sampled 60 loans (20 residential real estate loans, 20 personal loans, and 20 commercial real estate), representing the bank's primary loan products, originated by the bank over the last three years. Of those loans, 71.7% of the number and 57.8% of the dollar amount, were made within the bank's AA.

Lending to Borrowers of Different Income and Businesses of Different Sizes -

Based on the demographics of its AA, the bank's lending to borrowers of different income levels and businesses of different sizes is reasonable. Based on the sample of residential real estate loans, the bank made 11.8% to low-income borrowers, 23.5% to moderate-income borrowers, 11.8% to middle-income borrowers, and 52.9% to upper-income borrowers. Based on the sample of personal loans, the bank made 16.7% to low-income borrowers, 44.4% to moderate-income borrowers, 33.3% to middle income borrowers, and 5.6% to upper-income borrowers. The low representation of low-income borrowers given the percentage of low-income families in the AA is explained by the large percentage (13.4%) of families living below the poverty line. The bank makes 62.5% of its commercial real estate loans to business entities with less than \$1,000M in revenue. This low representation, given the percentage of businesses with revenues of less than \$1,000M in the AA, is not a concern given the fact that small business financing is not a strong credit need given the state of the economy as identified by the community contact.

Geographic Distribution of Loans -

The following tables illustrate that the bank's geographic distribution of loans reflects reasonable dispersion throughout its AA.

<u>DISTRIBUTION OF RESIDENTIAL REAL ESTATE IN THE AA (17)</u>			
	% of total owner occupied units in each type of tract	% of loan sample in each type of tract (#)	% of loan sample in each type of tract (\$)
Moderate-Income Tracts (2)	17.4%	11.8%	15.0%
Middle-Income Tracts (8)	82.6%	88.2%	85.0%

<u>DISTRIBUTION OF PERSONAL LOANS IN THE AA (18)</u>			
	% of total population in each type of tract	% of loan sample in each type of tract (#)	% of loan sample in each type of tract (\$)
Moderate-Income Tracts (2)	19.5%	33.3%	52.5%
Middle-Income Tracts (8)	80.5%	66.7%	47.5%

<u>DISTRIBUTION OF COMMERCIAL REAL ESTATE LOANS IN THE AA (8)</u>			
	% of total businesses in each type of tract	% of loan sample in each type of tract (#)	% of loan sample in each type of tract (\$)
Moderate-Income Tracts (2)	23.2%	12.5%	7.4%
Middle-Income Tracts (8)	76.8%	87.5%	92.6%

The low representation of commercial real estate loans in moderate-income tracts is not a concern given that business financing, especially small businesses, is not a priority. This fact was identified by the community contact.

Given the economic characteristics of the AA, these distributions reflect lending in most tracts.

Consumer Complaints -

No complaints relating to the bank's CRA performance have been submitted about the bank since our previous examination.

Record of Compliance with Antidiscrimination Laws -

Based on our review of individual unsecured consumer loans, we found no evidence of discriminatory or other illegal credit practices on any prohibited basis. We compared the terms offered to 17 females with those terms offered to 21 males from June 1, 1998 to June 1, 1999.