



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 28, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank
Charter Number: 24523

200 Middle Neck Road
Great Neck, NY 11021

Office of the Comptroller of the Currency

New York Metro – East
343 Thornall Street, Suite 610
Edison, NJ 08837

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 institution's rating are:

- The bank's average loan-to-deposit ratio for the evaluation period is more than reasonable given its size, financial condition, and the credit needs in the assessment area.
- A substantial portion of the bank's loans are made within the bank's assessment area.
- The distribution of lending among borrowers reflects a reasonable penetration of loans to small businesses of different revenue levels.
- The geographic distribution of loans within the bank's assessment area is reasonable.

SCOPE OF EXAMINATION

The 2008 CRA evaluation of Community National Bank (CNB) is the first CRA examination performed for the bank. It incorporates a review of the period between January 1, 2006 and September 30, 2007. We have excluded 2005 information since the bank was exempt from filing the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) due to its asset size. Thus, our review omits any lending activities during the bank's first year of operation. The analyses were performed using 2000 US Census Data. The primary lending product offered by the bank is commercial loans, which represent 58 percent of the total number of loans. Residential mortgages represent 35 percent of the total loan number, which makes up a significant portion of its loan portfolio but will carry less weight when determining the overall CRA performance. Small Business Administration (SBA) loans represent 37 percent of the total commercial loans. A CRA Data Integrity (CRA DI) examination was conducted in December 2007. CRA DI examiners randomly selected a sample of 21 HMDA reportable loans and 20 small business loans. Examiners discovered several discrepancies between data from actual loan files and the entries in the HMDA LAR. We conducted a follow-up and reviewed an additional 12 loan files using a random sample of HMDA reportable loans.

DESCRIPTION OF INSTITUTION

CNB is a full service intrastate community bank that is headquartered in the Great Neck Township located in Nassau County, NY. The main branch and executive offices are located at 200 Middle Neck Road. There are three additional branches located in Nassau County, and an additional three branches are planned for 2008. As of September 30, 2007, the bank reported total assets of \$204 million and tier-one capital of \$27.5 million. Net loans of \$152 million and investments of \$41 million comprised 95 percent of the asset structure. Consumer loan products include adjustable-rate home

mortgages and home equity lines of credit, while commercial loan products include construction, commercial real estate, revolving lines of credit, and SBA -guaranteed loans. SBA loans are offered to borrowers who may not otherwise qualify for conventional commercial loans. Real estate loans, including commercial real estate and home loan financings are the primary lending activity of the bank and represent 90 percent of total loans. Non-real estate commercial loans account for the remaining 10 percent of the loan portfolio. The bank's business strategy since it began operations was to focus its loan growth on commercial lending.

Community National Bank operates in a highly competitive financial services market with intense competition from large multinational banking institutions, regional banks, savings banks, community banks, mortgage companies, credit unions, finance companies, and credit card companies. Data in the June 30, 2007 FDIC Summary of Deposits Report, ranked the bank 160th in share of deposits within the Assessment Area (AA), which represents 0.02 percent of the market.

Market analysis indicated that the intense competition for mortgage and small business lending is fueled by the multitude of lenders. Large multinational and regional institutions, as well as, larger mortgage companies provide strong competition for real estate lending. Competition has increased from regional banks' such as Commerce Bank and Wachovia Bank, which have greater market presence.

There was no merger/acquisition activity that impacted the scope of the bank's operations during the CRA evaluation period. The bank does not have any banking subsidiaries, and therefore, activities conducted by affiliates were not considered in this evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA.

DESCRIPTION OF ASSESSMENT AREA

Community National Bank's CRA AA is comprised of five counties: Kings County, Queens County, New York County, Nassau County, and Suffolk County. The five counties are located in two adjacent Metropolitan Divisions (MD) that are part of the Metropolitan Statistical Area (MSA) 35620. Kings, New York and Queens Counties are located in MD 35644, while Nassau and Suffolk Counties are located in MD 35004.

The AA is comprised of all 2,349 census tracts that are located in the five counties. The bank does not exclude any census tracts; therefore, the AA does not arbitrarily exclude low- or moderate-income areas. The 2000 US Census median family income in the two MDs vary significantly with MD 35004 at \$80,000 and MD 35644 at \$50,174. The 2006 updated HUD median family incomes reflect increased variances with MD 35004 at \$91,000 and MD 35644 at \$59,200. 2000 US Census data reflects that 8 percent of total census tracts are in low-income tracts, 25 percent are in moderate-income tracts, 40 percent are in middle-income tracts and 24 percent are in upper-income tracts. Table 1 and Table 1A provide the breakdowns of families by income level and tracts in the AA.

Table 1. Percentage of Families by Income Level within each Tract

Families	Census Tracts		Total Families		Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
Low Income Tracts	195	8.3%	179,938	8.4%	106,016	19.2%	31,953	8.6%	22,241	5.3%	19,728	2.4%
Moderate Income Tracts	588	25.0%	578,739	26.9%	217,041	39.3%	124,781	33.5%	106,079	25.3%	130,838	16.2%
Middle Income Tracts	944	40.2%	908,724	42.3%	180,473	32.6%	167,024	44.9%	217,586	52.0%	343,641	42.6%
Upper Income Tracts	564	24.0%	483,044	22.5%	49,345	8.9%	48,310	13.0%	72,575	17.3%	312,814	38.8%
NA	58	2.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	2,349	100%	2,150,445	100%	552,875	100%	372,068	100%	418,481	100%	807,021	100%

Source: 2000 US Census

Table 1A. Percentage of Families within Each Tract

Families	Low Income Families %	Moderate Income Families	Middle Income Families	Upper Income Families	Total
Low Income Tracts	58.92%	17.76%	12.36%	10.96%	100%
Moderate Income Tracts	37.50%	21.56%	18.33%	22.61%	100%
Middle Income Tracts	19.86%	18.38%	23.94%	37.82%	100%
Upper Income Tracts	10.22%	10.00%	15.02%	64.76%	100%
N/A	0.00%	0.00%	0.00%	0.00%	0.00%

Source: 2000 US Census

The population of Community National Bank's AA is 8.99 million of which 785 thousand (8.7%) are located in low income tracts, 2.51 million (27.9%) in moderate tracts, 3.63 million (40.4%) in middle tracts and 2.1 million (23%) in upper income tracts. Less than half of a percent of the population is located in a non-applicable tract.

We contacted a local organization, the Community Development Corporation of Long Island, to get a sense of the lending needs of the community and the performance of local banks in meeting these needs. The primary needs are additional affordable housing communities (which would go towards professionals such as teachers, police officers, and firefighters) and more lending to small businesses. It was believed that the local banks are doing an excellent job in meeting these needs, but per the local contact, a greater effort could always be realized.

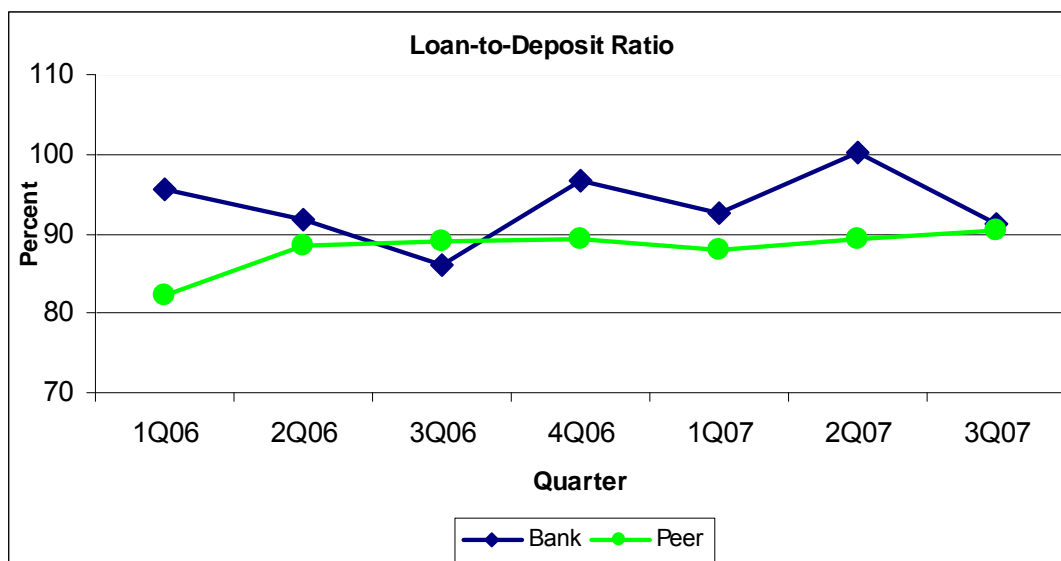
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Data Integrity

We verified that Community National Bank performed an appropriate review of the exceptions noted by examiners during the CRA DI examination completed in December 2007. We compared the HMDA sample reviewed during the CRA DI examination to the most recent HMDA LAR reports for 2006 and 2007. Mr. Kevin Kane, the bank's compliance consultant, reviewed a sample of 2006 HMDA loans and completed a scrub of 100% of the 2007 HMDA loans. We requested loan files to re-assess the remaining exceptions from the DI CRA examination's findings. Through discussions with bank management and the consultant, we resolved all issues from the CRA DI exam. Management corrected the remaining discrepancies prior to filing the 2007 HMDA report. We did not find any discrepancies in the additional 12 HMDA reportable loans we sampled.

Loan-to-Deposit Ratio

Community National Bank's average loan to deposit (LTD) ratio is more than reasonable given its size, financial condition, and the credit needs in the AA. The ratio calculated is an average of the average LTD ratios of the 7 quarters beginning March 31, 2006 and ending September 30, 2007. The LTD ratio average was 93.5 percent, with a LTD range of 86 percent (September 30, 2006) and 100.2 percent (June 30, 2007). Community National Bank is above the peer-group LTD average of 88.15 percent. The LTD ratio has remained steady with deposit growth generally matching its loan growth. The following chart illustrates the bank's LTD ratio compared to the national peer average for the seven quarters.



Lending in Assessment Area

Community National Bank meets the criteria for satisfactory performance for lending within the AA. The majority of the loans are inside the AA. Table 2 below shows the distribution inside and outside the assessment area for HMDA loans, small business loans and commercial loans. The commercial loan figures incorporate the SBA totals as well.

Table 2 - Lending in the Assessment Area

	Number of Loans				Dollar Amount of Loans (000s)			
	Inside	Outside	Total	% in AA	Inside	Outside	Total	% in AA
HMDA Loans	47	10	57	82%	\$32,837	\$19,068	\$51,904	63%
SBA	31	7	38	82%	\$3,917	\$785	\$4,702	83%
COMMERCIAL Loans ** Includes SBA Loans**	81	39	120	68%	\$63,236	\$40,754	\$103,990	61%

Community National Bank originated 57 HMDA reportable loans with a dollar volume of \$51.9 million. Eighty-two percent of the total reportable loans were made within the AA, which accounted for 63 percent of the total dollar volume of HMDA loans. The majority of small business loan originations was also inside the AA and therefore meets the standard for satisfactory performance.

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

Community National Bank’s record of lending to borrowers of different incomes and to businesses of different sizes is reasonable.

Commercial Lending

The borrower distribution of business loans within the AA is reasonable. There is reasonable dispersion seen in the number of loan originations based on business revenue level (below and above \$1 million) when compared to the percentage of the businesses in the AA’s. We reviewed twenty four loan files totaling \$7.9 million in the AA. Sixty-seven percent of these loans were originated with small businesses characterized by revenues of \$1 million or less. As shown in Table 3, the percentage of the number of loans to small businesses is in line with the percentage of businesses in the AA. Our values are based on data from the CRA DI exam and the CRA exam.

Table 3 - Borrower Distribution of CNB Small Business Loans

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Not reported	Total
% of AA Businesses by Number	69%	7%	24%	100%
% of Bank Loans in AA by Number	67%	33%	0%	100%
% of Bank Loans in AA by Dollar	53%	47%	0%	100%

Source: CRA Wiz Data & CRA DI+CRA Loan Sample

Table 3a offers a breakdown of Community National Bank’s small business lending by loan size. The dollar volume of loans made to small businesses totaled \$4.16 million.

Table 3a - Borrower Distribution of CNB Loans in the AA

Loan Size (000’s)	Number of Loans	% of Number	Dollar Volume of Loans (000’s)	% of Dollar Volume
\$0 - \$100,000	6	38%	\$511	12%
\$100,001 - \$250,000	5	31%	\$720	17%
\$250,001 - \$500,000	2	13%	\$680	16%
\$500,001 - \$1,000,000	3	19%	\$2,250	54%
Totals	16	100%	\$4,161	100%

Source: CRA DI + CRA Exams’ Loan Sample

Mortgage Lending

We conclude that there is reasonable penetration. It should be noted that mortgage lending is not the bank's primary business focus and is weighted accordingly in the determination of the overall rating for this criterion. Therefore, mortgage lending will carry less weight in the overall CRA rating. Lending to borrowers in the upper-income level exceeds the assessment area's percentage population. As a result of the high originations to upper-income individuals and households, lending performance to low and moderate income level borrowers did not meet their respective percentage populations. Although these figures shown in Table 4 illustrate poor penetration, there are several factors that lead to the high concentration of originations in upper-income level borrowers. We discussed the issue with President, Mr. Stuart Lubow, who is well aware of the lack of mortgage lending in low and moderate income level tracts. As a de novo bank that opened in 2005, Community National Bank only began to widen its branch base in the latter half of 2007. Prior to this date the bank had two locations: the main branch and one in Garden City, New York. These branches are centered in upper-income tract areas. Additionally, the bank has not developed a residential lending sales force. As such, 89 percent of the bank's residential loans were obtained through mortgage brokers. CNB cannot compete effectively in the FHA residential loan market where larger competing institutions have the ability to offer better rates to the low and moderate income groups. The bank, therefore, targets jumbo mortgages to be able to compete effectively for residential loan mortgages and to obtain the additional loan yields needed to maintain adequate margins.

Table 4 - Borrower Distribution of HMDA Reported Loans within AA

Borrower Income Level	Number of Loans	%	\$ Amount (000)	%	% of Families at Income Level in AA
Low	0	0.00%	\$ -	0.00%	25.71%
Moderate	0	0.00%	-	0.00%	17.30%
Middle	1	2.13%	144	0.44%	19.46%
Upper	44	93.62%	31,835	96.53%	37.53%
N/A	2	4.26%	1,002	3.04%	0.00%
Totals	47	100.00%	32,981	100.00%	100.00%

Source: CRA Wiz Data and Bank reports

Geographic Distribution of Loans

Commercial Lending

CNB's geographic distribution of small business loans throughout the AA illustrates reasonable dispersion. We used the 24-business loan sample from the borrower distribution section to determine this. As shown in Table 5a, the percentage of businesses in the middle and upper income tracts are much higher than those in the low and moderate tracts. The percentage of bank loans in the middle and upper income illustrates that the majority of the businesses in our sample were located in middle income tracts with the balance in the upper and moderate income level tracts. Table 5b classifies the loan sample into each income tract according to dollar amount.

Table 5a - Distribution of the Number of Small Business Loans by Income

Census Tract Income Level	# of Census Tracts	% of Total Businesses in Tract	# of Bank Loans	% of Bank Loans
Low	195	4.5	0	0.0
Moderate	588	18.6	1	4.2
Middle	944	36.7	20	83.3
Upper	564	39.2	3	12.5
N/A *	58	0.9	0	0.0
Total	2,349	100.0	24	100.0

Source: Census 2000 & CRA+CRA DI Sample

Table 5b - Distribution of the Dollar Amount of Small Business Loans by Income

Census Tract Income Level	# of Census Tracts	% of Total Businesses in Tract	Bank Loans (\$000's)	% of Bank Loans
Low	195	4.5	-	0.0
Moderate	588	18.6	280	3.5
Middle	944	36.7	5,981	75.6
Upper	564	39.2	1,650	20.9
N/A *	58	0.9	-	0.0
Total	2,349	100.00	7,911	100.0

Source: Census 2000 & CRA+CRA DI Sample

Mortgage Lending

Community National Bank's geographic distribution of residential mortgage loans throughout the AA is reasonable. It is considered reasonable even though there is poor dispersion seen in the number of loan originations per census tract income level when compared to the percentage of the AA's Owner Occupied Housing. As shown in Tables 5a, 5b, and 5c, the bank's lending to low and moderate income tracts are currently not in line with the percentage of the AA's Owner Occupied Housing per tract. Using HMDA data of 2006 and 2007, we have determined that lending is most predominant in the upper-income tracts. The same factors leading to the bank's poor penetration in terms of borrower distribution cause the poor geographic dispersion of home loans.

Table 6a. Geographic Distribution of Home Purchase Loans

MA/Assessment Area:	CNB Home Purchase Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% Owner Occ Units*	% BANK Loans*	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans
Nassau, Suffolk, New York, Queens, and Kings County	34	1.36	0	15.33	2.94	51.36	26.47	31.95	70.59

* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information. Data shown includes only One to Four-family and manufactured housing (Property type 1 or 2)

Table 6b. Geographic Distribution of Home Improvement Loans

MA/Assessment Area:	CNB Home Improvement Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% Owner Occ Units*	% BANK Loans*	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans
Nassau, Suffolk, New York, Queens, and Kings County	1	1.36	0	15.33	0	51.36	0	31.95	100

* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information. Data shown includes only One to Four-family and manufactured housing. (Property Type 1 or 2)

Table 6c. Geographic Distribution of Home Mortgage Refinance Loans

MA/Assessment Area:	CNB Home Mortgage Refinance Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% Owner Occ Units*	% BANK Loans*	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans
Nassau, Suffolk, New York, Queens, and Kings County	13	1.36	0	15.33	7.69	51.36	38.46	31.95	53.85

* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information. Data shown includes only One to Four-family and manufactured housing. (Property Type 1 or 2)

Responses to Complaints

Community National Bank has not received any CRA-related complaints in relation to its performance during the review period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices, which would be inconsistent with helping to meet community credit needs and would result in lowering the bank's overall CRA rating. During the 2007 full-scope examination, the examiner reviewing compliance confirmed with the consultant that as of October 2006 the bank was compliant with the Truth-in-Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act, Flood Act, and Privacy Act.