



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 28, 2008**

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

**Community National Bank  
Charter Number: 18394**

**210 Main Street  
Seneca, KS 66538**

**Office of the Comptroller of the Currency**

**Kansas City North Field Office  
7101 College Blvd, Suite 1600  
Overland Park, KS 66210-2077**

**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.**

Major factors supporting this rating are:

- A substantial majority of loans are within the bank's assessment areas (AAs).
- The bank's average loan-to-deposit (LTD) ratio since the last CRA examination is reasonable.
- CNB's distribution of loans to borrowers within the AAs shows reasonable penetration.

**SCOPE OF EXAMINATION**

Our review covered the time period from January 1, 2006 to March 31, 2008. The bank has two AAs: the Nemaha County AA and the Tonganoxie AA. Our loan sample included 20 agricultural operating loans for the Nemaha County AA and 20 consumer auto loans for the Tonganoxie AA. The bank is a HMDA reporter. We used 2006, 2007, and partial year 2008 HMDA-LAR data to analyze the 1-4 family residential real estate refinance loans for each AA because it represented the largest number of loans.

**DESCRIPTION OF INSTITUTION**

CNB is a \$203 million institution owned by Community Bancshares, Inc., a one-bank holding company. The holding company is headquartered in Seneca, Kansas. The bank is its only asset. The bank's main office is also located in Seneca, Kansas. The bank has three other branches in Kansas: one each in Sabetha, Tonganoxie, and Basehor. They also have deposit-taking automated teller machines in Seneca, Tonganoxie, and Basehor. Net loans represent 60 percent of total assets. CNB offers a full range of both lending and deposit services.

CNB's primary lending focus varies slightly in each AA. Nemaha County AA is agriculture and real estate lending while Tonganoxie AA is real estate lending and consumer loans. As of December 31, 2007, the dollar volume of CNB's loan portfolio consists of 77 percent real estate loans, 11 percent agriculture loans, 7 percent commercial loans, 3 percent consumer loans, and 1 percent municipal loans. One-to-four family real estate loans are 32 percent of the real estate category.

There are no legal or financial constraints that impede the bank's CRA efforts. The last CRA examination, dated September 17, 2001, rated the bank's performance as "Outstanding." Since the last CRA examination, the bank opened two branches: one in Basehor, Kansas in June 2002 and one in Sabetha, Kansas in November 2006.

**DESCRIPTION OF ASSESSMENT AREA(S)**

CNB has two AAs. The first is the Nemaha County AA which is in a non-MSA area and includes all of Nemaha County. All tracts in the Nemaha County AA are middle-income

geographies. The second AA is the Tonganoxie AA which is in an MSA and includes parts of Leavenworth and Wyandotte counties. The five tracts in Leavenworth County are comprised of three middle-income and two upper-income geographies. The four tracts in Wyandotte County are comprised of three middle-income and one upper-income geographies. Both AAs meet regulatory requirements.

The Nemaha County AA has a population of 10,717 persons with 3,983 households and 2,783 families. The data show 17 percent of families are low-income, 20 percent of families are moderate-income, 30 percent of families are middle-income, and 33 percent of families are upper-income. The median housing value is \$61,621, and 73 percent of the housing units are owner-occupied. The updated HUD non-MSA median family income is \$49,800. The Nemaha County AA economy is stable. Agricultural activities provide the main support.

The Tonganoxie AA population is 35,647 persons with 12,821 households and 10,331 families. The data show 13 percent of families are low-income, 17 percent of families are moderate-income, 26 percent of families are middle-income and 45 percent of families are upper-income. The median housing value is \$118,184 and 79 percent are owner-occupied. The HUD updated MSA median family income is \$67,600. The Tonganoxie AA economy is slowing with the exception of Lansing-Leavenworth where they are still experiencing growth. The new water park and race track in Wyandotte County continue to draw consumers to the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

CNB's LTD is reasonable. CNB's average LTD ratio from December 31, 2001 to December 31, 2007 was 85 percent. We compared CNB to nine other similarly-situated banks in both AAs. The average LTD of the other institutions was 72.14 percent. The high and low averages range from 49.21 percent to 97.49 percent.

### **Lending in Assessment Area**

CNB's record of lending within the combined AAs is excellent. The bank originates a substantial majority of its loans, both by number and dollar amount, within its AAs. We randomly sampled 40 residential real estate, 20 consumer and 20 agricultural loans originated from January 1, 2006 through March 31, 2008. The sample of all 80 loans shows that 94 percent by number, and 97 percent by dollar, were originated within the AAs.

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

CNB's overall record of lending to borrowers of different income levels and businesses of different sizes is satisfactory. We consider the Nemaha County AA record of lending

to low- and moderate-income borrowers to be adequate, given the low loan volume of total loans made in the AA and the fact the bank did not deny any 1-4 family loan applications during the assessment period. The chart below shows the 1-4 family residential real estate refinance lending for the AA.

Table 2 - Borrower Distribution of Residential Real Estate Refinance Loans in Nemaha County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	16.60%	0.00%	19.94%	10.00%	29.79%	40.00%	33.67%	50.00%

The Nemaha County AA record of lending to small farms is excellent. The chart below shows the bank's lending to small farms in the AA.

Table 2A - Borrower Distribution to Farms in Nemaha County AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	98.63%	0.69%	0.69%	100.00%
% of Bank Loans in AA by #	90.00%	10.00%	0.00%	100.00%
% of Bank Loans in AA by \$	85.12%	14.88%	0.00%	100.00%

The Tonganoxie AA record of lending to low- and moderate- income borrowers is reasonable. The chart below shows the 1-4 family residential real estate refinance lending.

Table 2 - Borrower Distribution of Residential Real Estate Refinance Loans in Tonganoxie AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	12.63%	10.00%	16.50%	5.00%	25.54%	30.00%	45.32%	55.00%

The Tonganoxie AA record of consumer lending to low- and moderate-income borrowers is excellent. The chart below shows the consumer lending:

Table 2B - Borrower Distribution of Consumer Loans in Tonganoxie AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
% of Total	34.44%	45.00%	32.12%	35.00%	44.88%	10.00%	88.56%	10.00%

**Geographic Distribution of Loans**

We did not perform an analysis of geographic distribution of the bank’s loans. An analysis would not be meaningful since the AAs do not have low- or moderate-income geographies.

**Responses to Complaints**

There were no CRA related complaints to review at this examination.

**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. We performed an analysis of recent public comments, consumer complaints, and HMDA information in accordance with the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided the need for a comprehensive fair lending examination was not warranted at this time. We performed the latest comprehensive fair lending examination 2000.