



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 20, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter Number 24297

11407 Windsor Boulevard
Windsor, VA 23487-0000

Office of the Comptroller of the Currency

VIRGINIA Field Office
4419 Pheasant Ridge Road, Suite 300
Roanoke, VA 24014

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 Lending Test is rated: Satisfactory.

Below is a summary of the major factors supporting the institution’s rating:

- The bank’s average loan-to-deposit (LTD) ratio is reasonable compared to similarly situated institutions, and a majority of the loans originated during the evaluation period were within the bank’s assessment area (AA).
- Borrower distribution reflects reasonable penetration, given the demographics of the area.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

Citizens National Bank (CNB) was evaluated under the Small Bank (SB) examination procedures, which consisted of a lending test. The lending test evaluates the bank’s record of meeting the credit needs of its AA through its lending activities. The lending test for CNB covers its performance from January 1, 2008 through September 20, 2010, as this is representative of its lending strategy since the last CRA examination. CNB’s primary loan products are business and consumer loans. To evaluate the bank’s lending performance, we selected a random sample of business and consumer loans originated between January 1, 2008 and September 20, 2010.

DESCRIPTION OF INSTITUTION

CNB is a community bank located in Windsor, Virginia. As of June 30, 2010, CNB had total assets of approximately \$48 million and Tier One Capital of \$6.5 million. The bank has one branch, and is wholly owned by the one-bank holding company CNB Bancorp, Inc.

The bank offers traditional deposit and loan products and services. Business and consumer loans are CNB’s primary business focus, with home loans a secondary focus. As of June 30, 2010, CNB reported net loans of approximately \$35 million and had a net loans and leases and stand by letters of credit to total assets ratio of 73.53%. The bank’s loan portfolio composition is as follows:

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Business Loans	49%	17%
Home Loans	34%	17%
Consumer Loans	16%	65%
Farm Loans	1%	1%
Total	100%	100%

Source: Bank prepared reports.

There are no legal or financial circumstances impeding the bank’s ability to help meet the credit

needs in its AA. The bank received a “Satisfactory” rating in its October 24, 2005 CRA Performance Evaluation.

DESCRIPTION OF ASSESSMENT AREA

CNB has one AA. The AA includes Isle of Wight County, the City of Suffolk and one census tract in Southampton County. Both Isle of Wight County and the City of Suffolk are part of the larger Norfolk-VA Beach-Newport News, VA-NC Metropolitan Statistical Area (MSA). The bank added the one census tract from Southampton County because it is contiguous and easily accessible via Route 460. The AA is made up of 19 census tracts, including two moderate-income tracts and two low-income tracts.

The population of Isle of Wight County, based on 2008 U.S. Census Bureau estimates, is approximately 38,465 with unemployment at 7.2% as of August 2010. The population of the City of Suffolk, based on 2008 U.S. Census Bureau estimates, is approximately 82,420 with unemployment at 8.4% as of July 2010. Unemployment in both areas is above the state’s average of 6.9%, but below the national average of 9.6% as of August 2010. Top industries in the AA include health care and social assistance, retail trade, construction, and professional, technical, and scientific services. CNB operates in a highly competitive market, characterized by a total of 13 other financial institutions that range from small community banks to large national banks. Based on information from the Federal Deposit Insurance Corporation, the deposit market share for the AA is dominated by a community bank and a large bank.

We conducted one community contact, a representative of the Suffolk Redevelopment and Housing Authority (SRHA), to determine credit and development needs in the AA. SRHA is a local affordable housing provider. They sponsor a homebuyers club to help move low-income families from dependency on public housing and rental subsidies to homeownership. The contact stated that local financial institutions can support this effort by assisting with credit counseling and budgeting and providing low cost mortgage programs for first time home buyers. The contact did not provide specific comments relative to CNB’s performance in the AA but noted that local institutions are generally supportive of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB’s performance under the lending test is “Satisfactory.” The bank’s loan-to-deposit ratio is reasonable. The majority of CNB’s business and consumer loans were originated within the AA. The bank’s record of lending to borrowers of different incomes and to businesses of different sizes reflects reasonable penetration. The overall geographic distribution of loans by income level is reasonable.

Loan-to-Deposit Ratio

The bank’s average quarterly loan-to-deposit (LTD) ratio of 86% is reasonable. CNB’s average LTD ratio increased significantly since the last CRA examination when the LTD was 60% and the bank was considered a “de novo institution.”

We identified two banks that are similar to CNB in asset size and operate the same number of branches in the MSA. The average quarterly loan-to-deposit ratios for these banks are 68% and 95%.

Lending in Assessment Area

The bank originated a majority of its loans inside the AA in terms of both number and dollar amount of loans. Table 1 presents the results of our sample of 63 loans originated during the evaluation period.

Table 1 – Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	16	55	13	45	29	2,791,005	70	1,180,368	30	3,971,373
Consumer Loans	18	53	16	47	34	236,219	66	122,418	34	358,637
Totals	34	54	29	46	63	3,027,224	70	1,302,786	30	4,330,010

Source: Loan sample.

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

The overall distribution of loans to borrowers of different incomes and business of different sizes reflects reasonable penetration. Our evaluation is based on a random sample of 20 business and 20 consumer loans made inside CNB’s AA.

Business Loans

As indicated in Table 2 below, the bank’s percentage of the number and dollar amount of business loans that it originated to businesses with revenues over \$1 million are in line with the percentage of AA business with revenues at those levels.

Table 2 – Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.55	3.41	31.04	100%
% of Bank Loans in AA by #	55.00	40.00	5.00	100%
% of Bank Loans in AA by \$	62.09	37.63	0.27	100%

Source: Loan sample; 2008 Dun and Bradstreet Data.

Consumer Loans

As indicated in Table 3 below, the bank’s percentage of the number of consumer loans that it originated to both low- and moderate-income borrowers exceeds the percentage of AA households that fall within each of those income levels.

Table 3 – Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	13.81	15.00	8.79	40.00	11.89	30.00	65.51	15.00

Source: Loan sample; 2008 U.S. Census data.

Geographic Distribution of Loans

The overall geographic distribution of loans in the AA is reasonable. Our evaluation is based on a sample of 20 business and 20 consumer loans. There are two low and two moderate income tracts in the bank’s AA.

Business Loans

As indicated in Table 4 below, the bank’s percentage of the number of business loans that it originated in moderate-income geographies is in line with the percentage distribution of the AA businesses located moderate-income geographies. There are no AA businesses located in low-income geographies.

Table 4 – Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0	0	13.84	15.00	76.24	80.00	9.91	5.00

Source: Loan sample; 2008 U.S. Census data

Consumer Loans

As indicated in Table 5 below, the bank’s percentage of the number of consumer loans that it originated in both low- and moderate-income geographies is below the percentage distribution of households located in these geographies. The low- and moderate-income geographies represent a small percentage of households in the AA and are located at least 20 minutes from the bank’s office locations. Strong competition in CNB’s AA combined with the location of these low- and moderate-income geographies mitigates the bank’s performance within these tracts.

Table 5 – Geographic Distribution of Consumer Loans				
Census Tract Income Level	Low	Moderate	Middle	Upper

	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	7.65	0	7.73	0	74.84	100	9.78	0

Source: Loan sample; 2008 U.S. Census data.

Responses to Complaints

The bank had one complaint in its public file that did not relate to the bank's record of meeting the credit needs of its AA through its lending activities. The bank resolved the complaint satisfactorily. This has a neutral impact on the CRA rating.

Fair Lending or Other Illegal Credit Practices Review

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