



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 14, 2003**

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

**The Vinton County National Bank of McArthur  
Charter Number 2036**

**112 West Main Street  
McArthur, Ohio 45651**

**Office of the Comptroller of the Currency  
Central Ohio Field Office  
325 Cramer Creek Court, Suite 101  
Dublin, Ohio 43017**

**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.**

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## 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 Vinton County National Bank of McArthur* prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of April 14, 2003. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

## OVERALL CONCLUSIONS

### INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

The Vinton County National Bank of McArthur (VCNB) has a **SATISFACTORY** record of meeting community credit needs.

- This institution meets the requirements for satisfactory performance for all applicable performance criteria, except for *Lending to Borrowers of Different Incomes and Businesses of Different Sizes*, which demonstrates outstanding performance.
- Given the demographics of the assessment area, the distribution of loans reflects excellent penetration among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes. The bank makes a majority of their loans to low- and moderate-income borrowers. Sixty-five percent of the residential real estate loans in our sample were made to low- and moderate-income borrowers, which is more than the 48% of low- and moderate-income families in the assessment area (AA).
- Analysis of the dispersion of the bank's loans in our sample indicates that the bank makes a majority of their loans in moderate-income areas. The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- VCNB is responsive to its community's credit needs as a majority of the loans in our sample were made inside the bank's AA. Overall, 88% of the loans in our sample were inside the AA.

- The bank’s current and 21-quarter average loan-to-deposit ratios are reasonable and commensurate with those demonstrated by local peer banks.

## DESCRIPTION OF INSTITUTION

The Vinton County National Bank (VCNB) is a wholly owned subsidiary of Community Bancshares, Inc., a two-bank holding company. The other wholly owned bank of the holding company is The First Bremen Bank, which reported total assets of \$256 million as of December 31, 2003. The main office is located approximately 90 miles southeast of Columbus, Ohio, in the village of McArthur, Ohio. The bank’s primary business focus is retail banking. It offers standard products and services through four full service offices in Vinton and Ross counties. The two offices in Vinton County are located in moderate-income geographies. The two offices in Ross County are located in middle-income geographies. All offices have drive-up facilities and automatic teller machines. Competition for loans and deposits is moderate and comes primarily from several community banks in the surrounding cities. Currently, no legal or economic impediments exist that could restrict the institution’s ability to serve the community’s credit needs. VCNB’s CRA rating as of October 23, 1997, was “Satisfactory.”

VCNB reported total assets of \$253 million and gross loans of \$177 million as of the December 31, 2002 Consolidated Report of Condition (Call Report) with net loans representing 70.41% of total assets. This was the first year that the bank’s total assets exceeded \$250 million. Loans for one-to-four family residential housing purposes represented about 46% of gross loans, with the remainder divided among loans to individuals (29%) and commercial/commercial real estate loans (20%). The table below shows the bank’s total loan mix as of December 31, 2002.

<b>Loan Portfolio Mix As of December 31, 2002*</b>		
<b>Loan Type</b>	<b>Dollar Volume in Millions</b>	<b>Percent of Gross Loans</b>
One-to-four Family Residential Real Estate Loans	\$81,873	46%
Loans to Individuals	\$51,716	29%
Commercial and Commercial Real Estate Loans	\$35,736	20%
Other	\$7,744	5%
<b>TOTAL GROSS LOANS</b>	<b>\$177,069</b>	<b>100%</b>

Source: December 31, 2002 Call Report and Uniform Bank Performance Report.

\*Based on gross loans as of December 31, 2002.

## DESCRIPTION OF NON-MSA and MSA ASSESSMENT AREAS:

The bank currently has two assessment areas (AA). The major and primary AA consists of all eighteen block numbering areas (BNA) that comprise Vinton and Ross counties, and sixteen other BNAs from the surrounding counties of Jackson, Gallia, Athens, Meigs, Hocking, Fayette, Highland, and Pike (Non-MSA AA). The second AA contains two census tracts in Pickaway County that are contiguous to Ross County and are located in the Columbus, Ohio metropolitan statistical area (MSA) #1840 (MSA AA). The bank does not have a branch located in this MSA. For analytical purposes, we combined the two AAs because the two census tracts are adjacent to the non-MSA portion and do not extend substantially beyond the non-MSA boundaries.

Management selected these AAs based on the bank’s desired lending territory. Of the thirty-six BNA/CTs included in the AAs, nineteen are characterized as moderate-income areas (53%), sixteen are middle-income areas (44%), and one is an upper income area (3%). The AAs contain a population of approximately 152,000 people. Of the non-MSA AA’s 57,634 housing units, about 66% are owner-occupied and have a median housing value of \$43,694. Of the MSA AA’s 2,581 housing units, about 71% are owner-occupied and have a median housing value of \$54,810. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

According to the 1990 census information, the Ohio non-MSA median family income is \$30,562. The Department of Housing and Urban Development’s (HUD) estimate of the Ohio statewide non-MSA median family income was \$48,700 for 2002 and \$46,500 for 2001. The economic status of families and BNA geographies are categorized as low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income means an individual income or a geography that is less than 50% of the Ohio statewide non-MSA median family income. Moderate-income means an individual income or a geography that is at least 50% and less than 80% of the Ohio statewide non-MSA median family income. Middle-income means an individual income or a geography that is at least 80% and less than 120% of the Ohio statewide non-MSA median family income. Upper-income means an individual income or a geography that is 120% or more than the Ohio statewide non-MSA median family income. The distribution of families among income categories in the bank’s AAs is as follows, based upon the 1990 Census median family incomes.

<b>INCOME AS A PERCENTAGE OF MEDIAN FAMILY INCOME</b>				
	<b>Low-Income Families</b>	<b>Moderate- Income Families</b>	<b>Middle-Income Families</b>	<b>Upper-Income Families</b>
<b>Non-MSA Assessment Area</b>	11,032	7,707	8,496	12,307
	27.90%	19.49%	21.49%	31.12%
<b>MSA Assessment Area</b>	579	387	656	485
	27.48%	18.37%	31.13%	23.02%

Source: 1990 U.S. Census Data

The overall economic condition of the AAs is fair, and is improving. The AAs are primarily rural with timber as the major industry. The largest employers in Vinton County include

Crownover Lumber, Austin Powder, and the Vinton County School System. The largest employers in Ross County include Adena Hospital, Mead Paper, Columbus Kenworth, and several prisons. The unemployment rate for Vinton County was 12.5% and 14.9% as of December 2002 and January 2003, respectively, which compares unfavorably to state and national unemployment rates for the same time periods of 5.0% and 5.7% and 6.3% and 6.5%, respectively. VCNB had approximately 84% of Vinton County's and 11% of Ross County's market share of total deposits as of June 30, 2002.

Community contact interviews revealed that the economic condition of Vinton County is distressed, but improving. The contacts identified residential real estate loans (purchase, refinance, and home improvement/repair), individual consumer loans, and loans to small businesses as the primary credit needs of the AA. According to the contacts, these types of loans are available from all area financial institutions.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

VCNB's loan-to-deposit (LTD) ratio of 77.25% as of December 31, 2002, and average LTD ratio over the last 21 quarters since the last CRA examination (December 31, 1997 to December 31, 2002) of 80.98% are reasonable and meet the requirements for satisfactory performance. For analysis purposes, VCNB's current and 21-quarter average LTD ratios were compared with a custom peer group consisting of nine banks of similar size and purpose (\$100 to \$500 million) competing within the same AA (11 county area). The analysis reflects that the VCNB's LTD ratios were within the peer group's current range of 64% to 93% and above the average range of 76% as of December 31, 2002. VCNB's LTD ratio was also compared to a peer group consisting of Ohio financial institutions with total assets of \$100 to \$500 million. This peer group's average LTD ratio as of December 31, 2002 was 80%. The bank's LTD ratios compare favorably with both peer groups.

### **Lending in Assessment Area**

The bank's record of lending within the AA is reasonable and supports satisfactory performance. The bank's primary loan types consist of residential real estate, consumer, and commercial loans. We sampled twenty loans from each of the following loan types: residential home purchase, residential refinance, home improvement, consumer, and commercial/commercial real estate. These loans were originated since the last CRA examination conducted in 1997 through December 31, 2002. The following table details the bank's lending within the AA based on this loan sample by number and dollar volume. This table indicates that a majority of the loans are made inside the bank's AA.

<b>LENDING IN THE ASSESSMENT AREA</b>				
<b>Loan Category</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Home Purchase</b>	18	90%	\$1,324,415	87%
<b>Refinance</b>	17	85%	\$764,844	86%
<b>Home Improvement*</b>	18	90%	\$124,599	89%
<b>Consumer</b>	17	85%	\$190,414	76%
<b>Commercial</b>	18	90%	\$1,090,824	89%
<b>TOTAL</b>	88	88%	\$3,495,096	87%

\*Secured and unsecured.

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

The distribution of residential real estate and consumer lending reflects excellent penetration among individuals of different incomes including low- and moderate-income borrowers. In addition, the bank's record of lending to businesses of different sizes is excellent. The tables below and on the following page support this conclusion.

The lower representation to low-income borrowers is reasonable given the level of households in the AA living below the poverty line. As of December 2002, 20% of the households in the AA are living below the poverty level with 13% receiving public assistance and would not meet the credit underwriting guidelines for home loans. However, the sample reflects excellent penetration to moderate-income borrowers.

		<b>Lending to Residential Real Estate Borrowers of Different Incomes</b>								
<b>BORROWER INCOME LEVEL</b>	<b>PERCENTAGE OF LOANS IN AA</b>									<b>PERCENTAGE OF FAMILIES IN AA</b>
	<b>Home Purchase</b>		<b>Home Improvement *</b>		<b>Home Refinance</b>		<b>All Mortgage Loans</b>			
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>		
<b>Low</b>	10%	8%	35%	19%	15%	12%	20%	10%	<b>28%</b>	
<b>Moderate</b>	40%	26%	40%	42%	55%	43%	45%	33%	<b>20%</b>	
<b>Middle</b>	30%	29%	15%	22%	15%	26%	20%	28%	<b>21%</b>	
<b>Upper</b>	20%	37%	10%	17%	15%	19%	15%	29%	<b>31%</b>	

\*Secured and Unsecured.

<b>Lending to Consumer Loan Borrowers of Different Incomes</b>					
<b>BORROWER INCOME LEVEL</b>	<b>PERCENTAGE OF CONSUMER LOANS IN AA</b>				<b>PERCENTAGE OF HOUSEHOLDS IN AA</b>
	<b># of Loans</b>	<b>%</b>	<b>\$ of Loans</b>	<b>%</b>	
<b>Low</b>	7	35%	\$61,378	28%	<b>31%</b>
<b>Moderate</b>	5	25%	\$50,136	23%	<b>17%</b>
<b>Middle</b>	5	25%	\$61,489	29%	<b>18%</b>
<b>Upper</b>	3	15%	\$42,784	20%	<b>34%</b>

VCNB made 90% of the number of loans in our sample to businesses with gross revenues of less than \$1 million, which compares favorably with the demographics of the AA, as reflected in the table below.

<b>REVENUE RANGES</b>	<b>LENDING TO BUSINESSES OF DIFFERENT SIZES</b>				<b>BUSINESSES WITHIN THE AA</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>\$1 Million or Less</b>	18	90%	\$1,151,597	85%	5,048	<b>81%</b>
<b>Greater than \$1 Million</b>	1	5%	\$101,603	7%	271	<b>4%</b>
<b>Revenue not Reported</b>	1	5%	\$105,337	8%	923	<b>15%</b>

Our sample represented an excellent responsiveness to lending to small businesses and low- and moderate-income borrowers.

### **Geographic Distribution of Loans**

The bank's distribution of loans throughout geographies of different income levels, including low- and moderate-income areas, is reasonable. The following tables support this conclusion.

The bank does not have any tracts that are designated as low-income. As previously mentioned, 53% of the geographies are moderate-income, 44% are middle-income, and 3% are upper-income. Fifty-seven percent of the owner occupied units in the AA are in the moderate-income tracts. The bank made 83% of the number of residential real estate loans in our sample in moderate-income areas. Ninety percent of the number of consumer loans in our sample were made in moderate-income areas, while only 56% of the households were in moderate-income areas. And 60% of the number of commercial loans we reviewed were made in moderate-income areas, which compares favorably to 50% of the businesses in the AA being in moderate-income tracts.



GEOGRAPHY INCOME LEVEL	PERCENTAGE OF RESIDENTIAL REAL ESTATE LOANS IN AA								PERCENTAGE OF OWNER- OCCUPIED UNITS IN TRACT CATEGORY
	Home Purchase		Home Improvement *		Home Refinance		All Mortgage Loans		
	#	\$	#	\$	#	\$	#	\$	
<b>Moderate</b>	70%	59%	100%	100%	80%	84%	83%	70%	57%
<b>Middle</b>	20%	26%	0	0	15%	12%	12%	20%	40%
<b>Upper</b>	10%	15%	0	0	5%	4%	5%	10%	3%

\*Secured and unsecured.

GEOGRAPHY INCOME LEVEL	PERCENTAGE OF CONSUMER LOANS IN AA				PERCENTAGE OF HOUSEHOLDS IN TRACT CATEGORY
	#	%	\$	%	
<b>Moderate</b>	18	90%	\$170,782	79%	56%
<b>Middle</b>	2	10%	\$45,005	21%	41%
<b>Upper</b>	0	0	0	0	3%

GEOGRAPHY INCOME LEVEL	PERCENTAGE OF COMMERCIAL LOANS IN AA				PERCENTAGE OF BUSINESSES IN TRACT CATEGORY
	#	%	\$	%	
<b>Moderate</b>	12	60%	\$867,975	64%	50%
<b>Middle</b>	6	30%	\$441,752	32%	48%
<b>Upper</b>	2	10%	\$48,810	4%	2%

In addition, this geographic distribution of loans analysis reflects reasonable lending activity throughout the AA with 61% of the total BNAs/CTs being penetrated. In our sample, loans were made in 22 of the 36 BNAs/CTs in the AAs. 13 of the 22 BNAs penetrated were moderate-income tracts.

### Responses to Complaints

The bank has not received any complaints about its CRA performance during the review period.

### Fair Lending, Other Illegal Credit Practices, and Predatory and Abusive Lending Practices

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