



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

November 13, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Home National Bank
Charter Number 9815**

**209 3rd Street
Racine, Ohio 45771**

**Comptroller of the Currency
Central Ohio
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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Home National Bank (HNB) has a **SATISFACTORY** record of meeting community credit needs.

- HNB's record of lending to borrowers of different incomes and businesses of different sizes is reasonable.
- HNB is responsive to the credit needs of its community as a substantial majority of the loans sampled were originated within the bank's assessment area. Ninety-five percent of the loans sampled were inside the bank's assessment area.
- HNB's distribution of loans to geographies of different income levels is more than reasonable.
- HNB's current and 23 quarter average loan-to-deposit ratios are reasonable.

DESCRIPTION OF INSTITUTION

Home National Bank (HNB) is an independent community bank located approximately 30 miles south of Athens, Ohio, with its main office located in the village of Racine, Ohio in Meigs County, Ohio. HNB is the only financial institution in Racine and has one branch located in Syracuse, Ohio, three miles west of Racine.

The bank's primary business focus is residential real estate lending followed by consumer lending. The bank offers products and services typically seen in community banks of similar size and location. The bank has five automated teller machines with two in Pomeroy, and one each in Racine, Syracuse, and Portland, all which are located in moderate-income geographies and have been opened since the last CRA examination conducted February 20, 2001.

Overall competition for loans and deposits is moderate; the nearest financial institutions consisting of a state institution and a savings bank located nine miles northwest in Pomeroy, Ohio.

No legal or financial impediments exist that could restrict the institution's ability to serve the community's credit needs. The bank earned a rating of Satisfactory at the prior Community Reinvestment Act (CRA) examination completed February 20, 2001, and the current rating period extends from that date through September 30, 2006. HNB did not receive any customer complaints during the review period. Please refer to the bank's Public File for additional information.

As of September 30, 2006, HNB reported total assets of \$56 million and Tier One Capital of \$6.2 million, with net loans representing 74% of average assets. Our analysis of loans originated

between January 1, 2004 through September 30, 2006 revealed that during this evaluation period loans to finance one-to-four family residential housing purposes represented 64% of loans originated, loans to individuals represented 26% of loans originated, loans for business purposes (commercial and commercial real estate loans) represented 9% and loans for agricultural purposes represented 1%, based on dollar amount. Refer to the table below for an illustration of the bank's loan mix.

Primary Loan Types		
Loan Type	% by Dollar of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Residential Real Estate Loans	64%	9%
Business Loans	9%	9%
Farm Loans	1%	2%
Consumer Loans	26%	80%
Total	100%	100%

Source: Loans originated between January 1, 2004 and September 30, 2006.

DESCRIPTION OF MEIGS COUNTY ASSESSMENT AREA

HNB has designated all of Meigs County, Ohio as its assessment area (AA). The AA is rural and consists of six census tracts. Based upon 2000 Census Data, the AA includes five moderate-income census tracts and one middle-income census tract. The AA includes the villages of Racine and Syracuse and the townships of Letart, Sutton, Lebanon, Olive, Chester and Salisbury. The AA meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude any low- or moderate-income geographies.

The U.S. Census and 2006 Department of Housing and Urban Development (HUD) estimated family income for nonmetropolitan statistical areas (MSAs) is \$51,100. The 2000 estimated median family income for the AA is \$33,071. Per the 2006 FFIEC Census report the total population for the AA is 23,072. Families within the AA total 6,595 comprised of the following income categories: low-income families 30%, moderate-income families 23%, middle-income families 21 % and upper-income families 26%. Twenty percent of the households in the AA live below the poverty level. The AA has 10,782 housing units, 68% of which are owner occupied. The median value for housing stock in the AA is \$55 thousand, and the median age of housing stock is 23 years old.

The economic condition of the AA is depressed. Per the Ohio Department of Job and Family Services Civilian Labor Force Estimates for September 2006, Meigs County has the second highest unemployment rate in the state at 7.9% compared to the non seasonally adjusted statewide average of 5.0%. The AA's only middle-income census tract was designated as a distressed area per the 2006 Federal Financial Institutions Examination Council (FFIEC) 2006 Census Report. HNB had approximately 20% of the market share of total deposits as of the June 30, 2006 FDIC market share report.

Major industries in the AA include state and local government, services and manufacturing. Major employers in the AA are Meigs County government offices (including schools), followed by various retailers.

We conducted a community contact with a Racine town official as part of this examination. Per our discussion, while the credit needs of the community are being adequately served, a need exists for first time homebuyers and low down payment residential loan programs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

- Based on criteria for the CRA lending test, this bank's performance is satisfactory.

The bank's performance regarding residential real estate (purchase and refinance lending) was considered foremost in this evaluation as this is the bank's primary loan product. Performance regarding consumer lending was also considered in this evaluation. The evaluation of the bank's lending performance is based on loans originated January 1, 2004 through September 30, 2006 (using updated 2000 Census Data). Our evaluation also includes a review of the bank's quarterly loan to deposit ratio from March 2001 through September 2006.

To evaluate the lending components we selected a random sample of 20 loans from each of the following loan types: residential real estate loans and consumer loans. We used the initial loan samples to perform our analysis of the bank's lending in its AA and then eliminated any loans not originated in the AA. Additional loans in the AA were then included in our samples to achieve the desired 20-item sample for each loan type to conduct the Borrower Distribution and Geographic Distribution analyses.

Loan-to-Deposit Ratio

- The bank's loan-to-deposit ratio is reasonable.

HNB's loan-to-deposit ratio as of September 30, 2006, is reasonable and meets the requirements for satisfactory performance. The average loan-to-deposit ratio for the 23 quarters since the last CRA exam (March 1, 2001 to September 30, 2006) is 77.84%, while the September 30, 2006 loan to deposit ratio was 82.63%. For analysis purposes, HNB's current and 23 quarter loan-to-deposit ratios were compared with a peer group consisting of four institutions ranging in size from \$53 million to \$276 million in size and located in Meigs, Vinton and Athens counties. The peer group average loan-to-deposit ratio as of September 30, 2006 was 84.90%. Our analysis revealed that HNB's September 30, 2006 loan-to-deposit ratio fell within the peer group range of 80.09% to 93.89%, while the 23 quarter average loan-to-deposit ratio of 77.84% was below the peer group range and average.

Lending in Assessment Area

- HNB's record of lending within its AA exceeds the standard for satisfactory performance

and is considered outstanding.

HNB's record of lending with their AA exceeds the standard for satisfactory performance and is considered outstanding. The bank's primary loan types consist of residential real estate and consumer loans. We sampled a total of 40 loans originated January 1, 2004 through September 30, 2006. Our analysis revealed that a substantial majority (95%) of the number of loans, and a majority (80%) of the dollar volume of loans were located within the bank's AA. Table 1 below illustrates HNB's lending within the AA.

Table 1 - Lending in Meigs County										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Purchase and Refinance Loans	18	90%	2	10%	20	\$1,247	70%	538	30%	\$1,785
Consumer Loans	20	100%	0	0%	20	\$885	100%	\$0	0%	\$885
Totals	38	95%	2	5%	40	\$2,132	80%	\$538	20%	\$2,670

Source: Loan sample

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

- HNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance

Based on the residential real estate and consumer loans sampled, the distribution of loans borrowers of different incomes is reasonable and reflects satisfactory performance. The bank's primary loan type is residential mortgage lending; therefore, more weight was given to this loan product in our analysis of lending to borrowers of different incomes and businesses of different sizes.

HNB's distribution of residential real estate loans reflects satisfactory performance among individuals of different incomes including low- and moderate-income borrowers. HNB made 5% of the residential loans sampled to low-income borrowers; this percentage is significantly lower than the percentage of low-income families in the AA (30%). A factor contributing to the low penetration is that 20% of the AA households live below the poverty level and may not meet the criteria to qualify for a home loan. HNB's record of lending to moderate-income individuals is good with 35% of the residential loans sampled originated to moderate-income borrowers compared to 23% of the families in the AA categorized as moderate-income. Table 2 below illustrates the bank's borrower distribution for residential lending.

Table 2 - Borrower Distribution of Residential Real Estate Home Purchase and Refinance Loans in Meigs County AA				
Borrower Income Level	Low	Moderate	Middle	Upper

Loan Type	% 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
Residential Real Estate Loans	30%	5%	23%	35%	21%	15%	26%	45%

Source: Loan sample and 2000 U.S. Census Data updated as of 2006.

HNB’s borrower distribution of consumer loans exceeds the standard for satisfactory performance. The bank’s percentage of consumer loans to low-income borrowers (45%) significantly exceeds the percentage of low-income households in the AA (35%). Additionally, HNB’s record of consumer lending to moderate-income borrowers also significantly exceeds percentage of moderate-income households in the AA. Table 3 below illustrates HNB’s borrower distribution for consumer lending.

Table 3 - Borrower Distribution of Consumer Loans in Meigs County AA								
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	35%	45%	20%	30%	19%	20%	26%	5%

Source: Loan sample and 2000 U.S. Census Data updated as of 2006.

Geographic Distribution of Loans

- HNB’s geographic distribution of loans is more than reasonable and exceeds the standard for satisfactory performance.

HNB’s geographic distribution of loans is reasonable and supports an overall satisfactory conclusion for this performance criteria. The bank’s primary loan type is residential mortgage lending; therefore, more weight was given to this loan product in our analysis of geographic distribution of loans. The bank’s AA does not contain any low- or upper-income geographies.

The geographic distribution of residential real estate loans illustrated in Table 4 below reflects more than reasonable dispersion. HNB’s AA has five (83%) census tracts that have been designated moderate- income and one census tract (17%) designated as middle-income. Analysis of demographic data revealed that 81% of the AA’s owner-occupied units are located in the moderate-income geographies and 19% of owner-occupied housing are located in the AA’s middle income geography. Per our loan sample, 85% of the residential loans reviewed were originated in the moderate-income geographies. This percentage is more than the percentage of owner-occupied units in the AA moderate-income geographies and exceeds the standard for more than satisfactory performance.

Table 4 - Geographic Distribution of Residential Real Estate Home Purchase and Refinance Loans in Meigs County AA
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Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans
Residential Real Estate Loans	NA	NA	81%	85%	19%	15%	NA	NA

Source: Loan Sample; 2000 U.S. Census data, updated as of 2006.

The geographic distribution of consumer loans is more than reasonable and exceeds the standard for satisfactory performance. Per 2000 census data, 82% of the households in the AA are located in moderate-income geographies while 18% of the households are located in the middle-income geography. Analysis of the loan sample revealed that 95% of the consumer loans reviewed were originated in AA's moderate-income geographies while 5% were originated in the middle-income geography. The percentage of consumer loans originated in moderate-income census tract significantly exceeds the percentage of moderate-income households in the AA and exceeds the standard for satisfactory performance. Table 5 below illustrates the bank's geographic distribution of consumer loans.

Table 5 – Geographic Distribution of Consumer Loans in Meigs County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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	NA	NA	82%	95%	18%	5%	NA	NA

Source: Loan Sample; 2000 U.S. Census data, updated as of 2006.

Responses to Complaints

No complaints regarding the bank's CRA performance have been submitted to our office or the bank during the review period.

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.