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Comptroller of the Currency  
Administrator of National Banks

Small Bank

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## **PUBLIC DISCLOSURE**

July 13, 1998

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

The Kingston National Bank  
Charter Number: 9536

2 North Main Street  
Kingston, Ohio 45644

**Office of the Comptroller of the Currency**

**Central Ohio Field Office  
325 Cramer Creek Court, Suite 202  
Dublin, Ohio 43017**

**NOTE:** 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.

## 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.*

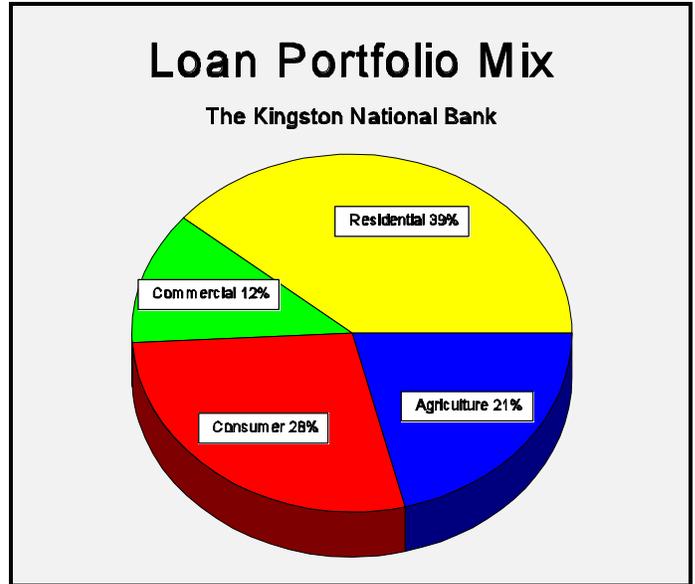
*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Kingston National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 13, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **SATISFACTORY RECORD OF MEETING COMMUNITY CREDIT NEEDS.**

This institution meets the requirements for overall satisfactory performance. The current and ten quarter average loan-to-deposit (LTD) ratios were found to be reasonable and comparable to those posted by other institutions of similar size, purpose and location. Analysis of the location and dispersion of the bank's loans indicate that a substantial majority are made within the identified assessment areas (AAs) and are reasonably dispersed by both borrower income and income geography. Furthermore, based on a sample of loans to businesses and farms, 100% were made to small entities.

***DESCRIPTION OF INSTITUTION***

The Kingston National Bank (KNB) is a wholly owned subsidiary of Kingston BancShares, Inc., a one bank holding company. The main office is located approximately 60 miles southeast of Columbus, Ohio in the Village of Kingston, Ohio. The bank’s primary business focus is retail/commercial banking and it offers standard products and services through a network of three full service offices located in Ross, Hocking and Fairfield Counties. Competition for loans and deposits is moderate to strong and comes primarily from several community banks and branches of regional institutions located in Circleville, Chillicothe and other surrounding cities. Currently, no legal or economic impediments exist that could restrict the institution’s ability to serve the community’s credit needs.



*Figure 1*

As of March 31, 1998, KNB reported total assets of \$77 million and gross loans of \$49 million. Loans for one-to-four family residential housing purposes represented about 39% of gross loans, with the remainder divided among loans having individual, commercial or agricultural purposes. Figure 1 shows the bank’s total loan mix as of March 31, 1998.

***DESCRIPTION OF ASSESSMENT AREAS***

The bank currently has two assessment areas (AAs) and both were selected based on management’s targeted lending territory. The first AA consists of 13 census tracts (CTs) of the Columbus, Ohio Metropolitan Statistical Area (MSA) #1840. These 13 tracts represent all of Pickaway County and the southwest corner of Fairfield County. Of the 13 CTs, three (23%) are characterized as Moderate-income tracts, nine (69%) are Middle-income and one (8%) is an Upper-income area. This AA contains a population of about 57,000 with a median family income of approximately \$32,721 as of the 1990 census. The bank currently has one office in this AA. Throughout this report, this AA will be referred to as the MSA AA.

The second AA is made up of sixteen block numbering areas (BNAs) that comprise all of Ross County and the western portion of Hocking County. Of the sixteen geographies, five (31%) are Moderate-income areas, ten (63%) are Middle-income and one (6%) is an Upper-income tract. This AA has a population of about 73,000 with a median family income of \$28,984. The bank currently has two offices located in this AA. Throughout this report, this AA will be referred to as the non-MSA AA.

The overall economic condition for both AAs is good with stable trends. The AAs are primarily rural with an agricultural focus, but the cities of Chillicothe and Circleville do contain a moderate level of manufacturing. Larger employers (Fortune 500 companies) of combined AA residents include DuPont, Georgia Pacific, Amerimark (formerly known as Reynolds Metals), Mead Paper, Columbus Kenworth, and Thomson Consumer (formerly known as RCA). The average unemployment rate for all four counties represented in the AAs as of April 1998, is 4.13%, and falls within the state and national unemployment rates of 3.8% and 4.3%, respectively. Community contact interviews revealed those loans for the purchase, rehabilitation and construction of affordable residential properties and small business loans are the primary needs of the combined AA. Community contacts also revealed that these types of loans are readily available from institutions serving these areas.

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

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

Overall, KNB's loan-to-deposit (LTD) ratios are found to be comparable to those posted by other institutions of similar size, purpose and location, and reflect satisfactory performance. KNB's current (LTD) ratio of 69% as of March 31, 1998, and average LTD ratio over the last ten calendar quarters of 73% are reasonable. KNB's LTD ratios were compared with a peer group of banks nationwide and a custom peer group consisting of local community banks competing in the same AAs. KNB's current LTD ratio is slightly below the 72% ratio posted by the national peer group, but compares favorably with the 70% ten quarter national peer group average. In addition, KNB's current LTD ratio was found to be similar to the custom peer group's current average of 72%.

#### **Lending In the Assessment Areas:**

A substantial majority of the bank's home loans are originated within the identified AAs, including 97% from the MSA AA and 89% from the non-MSA AA.

Of the 24 total home loans originated in MSA #1840 and reported on the bank's 1997 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR), all or 100% were made within the identified MSA AA. In addition, of the 14 home loans originated in MSA#1840 through March 31, 1998, 13 or 92% were made within the identified CTs. Overall, 97% of applicable loans sampled were originated within the defined MSA AA.

The bank posted similar lending tendencies in the non-MSA AA. Because the bank does not report the applicable BNA numbers for loans made outside an MSA on the HMDA LAR, we reviewed a random sample of approved home loans reported on the 1997 and 1998 LARs to determine the appropriate BNA number for each. We sampled 20% (10 of 49) of all HMDA reportable approved home loans made in 1997, and found that 80% (8 of 10) were originated within the non-MSA AA. In addition, we sampled 24% (9 of 37) of home loans originated in 1998 and found that 100% were made within the identified non-MSA AA. Overall, 89% of all applicable home loans sampled were made within the non-MSA AA.

We also sampled 40 commercial and agricultural loans originated in 1997 and 1998 to determine the area of origin for each. Of the total sample, 26 were in the Columbus MSA and 14 were not. The sample indicated that 22 (85%) of the commercial loans in the Columbus MSA were made inside the bank's defined MSA AA. All or 100% of those made outside the Columbus MSA were made inside the bank's defined non-MSA AA.

To further determine the level of lending within the bank's AAs, we sampled 20 consumer installment loans: three in the Columbus MSA and 17 outside the Columbus MSA. We found that all or 100% of the loans in the Columbus MSA were made inside the bank's defined MSA-AA, while 16 (94%) of those made outside the Columbus MSA were made inside the bank's defined non-MSA AA.

### **Lending to Geographies of Different Income Levels:**

The bank's lending to geographies of different income levels is reasonable for both AAs and evidences satisfactory performance.

Of the 24 HMDA loans made in 1997 and mentioned above, all or 100% were made to Middle-income tracts, which is consistent with the geographical income composition of the MSA AA. All 13 (100%) HMDA loans originated in the AA through March 31, 1998 were also extended to Middle-income geographies. Although home loan lending in Moderate-income tracts appears low, this AA consists of 69% Middle-income tracts and over 85% of all owner-occupied housing units are located in Middle-income geographies. Since owner-occupied housing is the only type of loan available for home purchase, refinance or improvement, the level of home loan lending would be far greater in the Middle-income tracts. In addition, only 14% of all MSA AA families live in Moderate-income tracts. This is due primarily to the City of Circleville, which accounts for two of the three Moderate-income tracts in this AA. Circleville is more urban and contains a larger volume of retail and commercial business. The table below illustrates the bank's home loan dispersion by income geography for the MSA AA.

<b>MSA Assessment Area Home Loan Dispersion By Income Geography</b>						
<b>Income Category</b>	<b>1997 HMDA Loans</b>	<b>1998* HMDA Loans</b>	<b>Total Home Loans</b>	<b>% of Total</b>	<b>% of Total MSA AA Tracts</b>	<b>% of Total Owner Occupied Units in the MSA AA</b>
<i>Low</i>	0	0	0	0%	0%	0%
<i>Moderate</i>	0	0	0	0%	23%	14%
<i>Middle</i>	24	13	37	100%	69%	85%
<i>Upper</i>	0	0	0	0%	8%	1%
<b>Total</b>	<b>24</b>	<b>13</b>	<b>37</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Loans originated through 3/31/98

The bank's geographic dispersion demonstrated similar trends in the non-MSA AA. Of the eight

sampled home loans originated in 1997 in the non-MSA AA, 87% were made to Middle-income tracts, while 13% were made to Moderate-income tracts. The nine sampled loans originated through March 31, 1988, yielded similar results. Specifically, 89% were made to Middle-income tracts and 11% were made to Moderate-income tracts. Although the level of home loan activity appears low in Moderate-income tracts, again the percentage of owner-occupied homes available for this type of loan is limited in the Moderate-income areas. Approximately 62% of all owner-occupied homes are located in Middle-income areas and these areas comprise 63% of the non-MSA AA, which justifies the increased home loan activity. The table below summarizes this information for the non-MSA AA.

<b>Non-MSA Assessment Area Home Loan Dispersion By Income Geography (Based on Sampled Loans)</b>						
<b>Income Category</b>	<b>1997 HMDA Loans</b>	<b>1998* HMDA Loans</b>	<b>Total Home Loans</b>	<b>% of Total</b>	<b>% of Total Non-MSA AA BNAs</b>	<b>% of Total Owner Occupied Units in the Non-MSA AA</b>
<i>Low</i>	0	0	0	0%	0%	0%
<i>Moderate</i>	1	1	2	12%	31%	32%
<i>Middle</i>	7	8	15	88%	63%	62%
<i>Upper</i>	0	0	0	0%	6%	6%
<b>Total</b>	<b>8</b>	<b>9</b>	<b>17</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Loans originated through 3/31/98

### **Lending to Borrowers of Different Income Levels:**

The bank's record of lending to borrowers of different income levels and businesses of different sizes is reasonable and rated satisfactory for both AAs. The stated income level of the borrower(s) for each loan reviewed was compared to either the median family income of MSA #1840 for the MSA AA or the State of Ohio non-metropolitan statistical area median family income figure for the non-MSA AA. This was done to determine the applicable income category for each.

Of the 24 HMDA loans originated in the MSA AA for 1997, three (12%) were made to Low-income, four (17%) to Moderate-income, 11 (46%) to Middle-income, and six (25%) to Upper-income borrowers. Of the 13 HMDA loans made in 1998, two (15%) were made to Middle-income borrowers and 11 (85%) were made to Upper-income borrowers. Although lending to Low- and Moderate- income families is slightly below the MSA AA benchmarks, this dispersion is reasonable considering the heavy level of competition for home loans in this area combined with the bank's limited presence. Management states that this area is heavily saturated with lending institutions. Within the identified CTs of the MSA AA, there are about eight banks and several mortgage companies, including larger regional type institutions, all competing for home loans. This was confirmed during interviews with both community contacts. Management states that they have historically been unable to increase market share in this area due to the aggressive

pricing and solicitation strategies used by these institutions. In addition, KNB has a limited presence in this area with no offices in Pickaway County and only one branch in Fairfield County. The table below demonstrates the bank's lending dispersion by borrower income for the MSA AA.

MSA Assessment Area Home Loan Dispersion By Borrower Income (Based on Sampled Loans)					
Income Category	1997 HMDA Loans	1998* HMDA Loans	Total Home Loans	% of Total	% of Total MSA AA Families by Income Category
<i>Low</i>	3	0	3	8%	22%
<i>Moderate</i>	4	0	4	11%	22%
<i>Middle</i>	11	2	13	35%	26%
<i>Upper</i>	6	11	17	46%	30%
<b>Total</b>	<b>24</b>	<b>13</b>	<b>37</b>	<b>100%</b>	<b>100%</b>

\* Loans made through 3/31/98

Of the eight previously identified home loans originated in the non-MSA AA in 1997, two (25%) were made to Low-income, one (13%) to Moderate-income, two (25%) to Middle-income, and three (37%) were made to Upper-income borrowers. Of the nine home loans originated in 1998 in this AA, four (44%) were extended to Moderate-income, one (11%) to Middle-income, and four (44%) to Upper-income borrowers. This dispersion is reasonable considering the percentage of families in each income category within this AA. The sampled home loans from the non-MSA AA indicate that approximately 41% of the bank's home loans are made to Low- or Moderate-income borrowers. This is almost identical to the AA make-up of 42% Low- or Moderate-income families. The table on the following page illustrates the bank's home loan dispersion by borrower income for the non-MSA AA.

**Non-MSA Assessment Area Home Loan Dispersion  
By Borrower Income  
(Based on Sampled Loans)**

<b>Income Category</b>	<b>1997 HMDA Loans</b>	<b>1998* HMDA Loans</b>	<b>Total Home Loans</b>	<b>% of Total</b>	<b>% of Total Non-MSA AA Families by Income Category</b>
<i>Low</i>	2	0	2	12%	24%
<i>Moderate</i>	1	4	5	29%	18%
<i>Middle</i>	2	1	3	18%	22%
<i>Upper</i>	3	4	7	41%	36%
<b>Total</b>	<b>8</b>	<b>9</b>	<b>17</b>	<b>100%</b>	<b>100%</b>

\* Loans made through 3/31/98

In addition, forty recently made commercial or farm loans were sampled to determine the level of the bank's lending to businesses and farms of different sizes. The sample indicated that all of these loans were extended to entities with annual gross revenues of less than \$1 million. This sample also revealed that 80% of the commercial and farm loans were originated in amounts less than \$100 thousand, which demonstrates the bank's willingness to make small loans to businesses of all sizes.

**Response to Complaints Regarding the Bank's CRA Performance:**

The bank has had no complaints regarding its CRA performance during the evaluation period.

**Fair Lending:**

No evidence of discriminatory or other illegal credit practices on any prohibited basis was noted during the course of the examination. We reviewed 29 secured installment loan files originated in 1998. Based on this review, the bank is in compliance with the substantive provisions of the antidiscrimination laws.