

# PUBLIC DISCLOSURE

June 27, 1996

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank  
Charter Number 22668

900 Memorial Drive  
P.O. Box 1060  
Pulaski, VA 24301

Office of the Comptroller of the Currency  
Roanoke Duty Station  
3800 Electric Road, Suite 204  
Roanoke, VA 24018

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 Community National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 27, 1996. 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.

Community National Bank has a satisfactory record of meeting the credit needs of the local community including the needs of low and moderate income individuals. This assessment is based on a high level of lending within the assessment area, a reasonable level of lending to borrowers of different incomes and businesses of different sizes, and a reasonable loan to deposit ratio and geographic distribution of loans.

The following table indicates the performance level of Community National Bank, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>COMMUNITY NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the bank opened.		

## DESCRIPTION OF INSTITUTION

Community National Bank (“Community”) is a wholly-owned subsidiary of CNB Holdings, Inc. a one bank holding company. Community is a de novo institution which opened on August 29, 1994 and is located in Pulaski, Virginia. At 3/31/96 total assets equal \$19.7 million, net loans \$8.3 million, total deposits \$16.5 million and capital \$3.2 million. The institution has one office with an automated teller machine and offers a variety of traditional banking products and services including Small Business Administration, mortgage, consumer, and commercial loans. Currently, no long term, fixed rate, residential mortgage products are offered; however, variable rate products are available. The bank’s target market is residential real estate loans, consumer borrowers and small businesses. This focus is reflected in the bank’s loan mix of 41% real estate loans, 17% consumer loans and 42% commercial loans.

Community has sufficient resources to meet the majority of credit needs within the assessment area. However, loan growth has been impacted by the need to establish a favorable business reputation, the level of competition, and the institutions relatively low legal lending limit. Also, Community has had to address a variety of issues frequently faced by new businesses including constructing adequate facilities and ensuring appropriate personnel are in place.

## DESCRIPTION OF ASSESSMENT AREA

Community’s assessment area is Pulaski County, Virginia. The assessment area includes seven block numbering areas (BNAs), all of which are considered middle income tracts.

Pulaski County is located in a rural area of southwest Virginia, known as the New River Valley. It is approximately 53 miles southwest of Roanoke, V.A. and 150 miles north of Charlotte, N.C. Pulaski County consists of 327 square miles and has a population of 34,496. The area has convenient access to Interstate 81 and Interstate 77 which are located nearby. The County has two incorporated towns, Dublin and Pulaski. Both towns trace their origin to the expansion of the rail system. The median family income for the area is approximately \$35,000 while the statewide, non-metropolitan, median family income for Virginia is \$33,600.

The county has a diverse, stable economy with an unemployment level of 6%. Agricultural production is a significant contributor to the local economy as well as government employment, and the textile, apparel and furniture industries. Large local employers include; Radford Army Amunitions, Volvo-GM Heavy Trucks, Renfro Corporation and Pulaski Furniture.

Discussions with bank officials and local economic development leaders indicate community credit needs include small business lending, small dollar personal loans, home improvement financing and residential real estate loans. Existing bank products address these identified needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

### Loan to Deposit Ratio

The bank's loan to deposit ratio, while low, is reasonable given the aggressive nature in which management has priced deposits, the age of the bank, local lending competition, and the bank's legal lending limit.

Community's loan to deposit ratio has averaged 38% since the bank opened. The loan to deposit ratio is below local competitor bank levels as well as national peer averages. However, the loan to deposit ratio has steadily increased since the bank opened and currently stands at 50%. The bank's loan to deposit ratio, while below other de novo bank levels, does compare favorably with these banks as Community is ranked in the 46th percentile of de novo charters.

In an effort to gain market share management has been aggressive in setting deposit rates, frequently pricing deposits at or near the top of the local market. This has resulted in deposit growth outpacing loan growth. In addition, the local lending environment is fairly competitive with competition provided by branches of NationsBank, Premier Bank - South, Signet Bank, First American Bank and Crestar Bank. As would be expected, it will take Community some time to penetrate the local lending market and establish a niche. However, Community's management and Board are, and have always been, committed to making loans.

The bank's legal lending limit is relatively low and significantly below the lending limit of local competitors. This impacts the bank's loan to deposit ratio as large commercial loans can not be kept on the bank's books.

### Lending in the Assessment Area

A substantial majority of the bank's loans are located within the assessment area. Ninety - one percent (91%) of the number of loans extended are located within the assessment area and eighty - eight (88%) of the dollar volume of loans is located within the area.

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

Community has a reasonable distribution of loans among borrowers of all income levels and to businesses of different sizes, particularly small businesses. Of the consumer and residential real estate loans extended to date, approximately 21% are to low income individuals and 24% to moderate income individuals. This compares favorably with the demographics of the assessment area, as the local population is considered to be 20% low income and 20% moderate income.

The institution's commercial lending is targeted to small businesses. Virtually all commercial loans are to businesses with less than \$1 million in annual revenue. This type of lending has resulted in new businesses being established in the community and the creation of local jobs. Two extensions of credit are particularly noteworthy. Community, in conjunction with the Town of Dublin, loaned money to rehabilitate an old textile facility in order to provide expansion space for a local business. And, along with the local Urban Development Action Grant program, provided funds at below market rates to start up a new restaurant business. These credit extensions resulted in over seventy-five jobs being created.

#### Geographic Distribution of Loans

Community is lending throughout its entire assessment area which consists of seven block numbering areas, all of which are middle income tracts. Credit has been extended throughout Pulaski County; however, lending is concentrated in those block numbering areas located nearest the bank's office. This is reasonable given the limited number of bank offices, the rural nature of the assessment area and the number and location of competitors.

#### Response to Complaints

No CRA related complaints have been received since the bank opened.

#### Compliance With Anti-Discrimination Laws

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted.