



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 06, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank
Charter Number 22799**

**5431 SW 29th Street
Topeka, Kansas 66614**

**Comptroller of the Currency
Kansas City North Field Office
6700 Antioch Road Suite 450
Merriam, KS 66204**

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.

This institution is rated Satisfactory.

Overall conclusions:

- Community National Bank (CNB) of Topeka, Kansas has a satisfactory record of lending to individuals and businesses of different income levels and revenue sizes.
- The geographic distribution of CNB's lending activity reflects reasonable dispersion of loans within the bank's assessment area.
- CNB originated the majority of its loans to borrowers with properties within the bank's assessment area.
- The bank's loan-to-deposit ratio is reasonable given local economic conditions and significant competition within the bank's assessment area.
- The bank has not received any complaints about its performance in helping to meet assessment area credit needs during this evaluation period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Community National Bank has a good record of lending to individuals and businesses of different income levels and revenue sizes. Based on a review of loans outstanding as of September 30, 2003, the bank's primary product by dollar was commercial loans and by number residential real estate loans. We reviewed a sample of 25 commercial loans and used all of the bank's Home Mortgage Disclosure (HMDA) data loans originated during Years 2000, 2001, and 2002 to analyze the bank's lending activities. Residential real estate loans consist of purchase, home improvement, and the refinance of each. The findings by loan type are as follows:

Commercial:

The bank's revenue distribution of commercial loans is good. Of the 25 loans in our sample, CNB originated 22 loans to businesses within the bank's assessment area (AA). Of the 22 loans in the bank's AA 73 percent were to businesses with revenues less than \$1 million. In addition, 64 percent of the loans were to businesses with revenues less than \$500 thousand. This compares favorably to area business demographic data. According to the 2002 Business Geo-demographic Data, 66 percent of the businesses that reported income information have revenues of less than \$500 thousand.

Residential Real Estate:

The bank's income distribution of residential real estate loans is reasonable in comparison to the income level of families in the AA. According to the 1990 United States Census

Bureau (Census) Data 18 percent of the families are low-income, 17.9 percent moderate-income, 26.1 percent middle-income, and 38 percent upper-income. In addition, 9 percent live below the poverty level. The median family income level was \$36,940. The updated 2002 HUD median family income level used for the income summary was \$59,200.

Purchase Loans

The bank's income distribution for the low-income and moderate-income categories exceeds area demographic data. The income distribution was as follows: 23 percent to low-income families, 21 percent to moderate-income families, 20 to middle-income families, and 36 percent to upper-income families. Purchase loans for the income summary totaled 128.

Home Improvement Loans

The bank's income distribution for the low-income and moderate-income categories is below area demographic data. The income distribution was as follows: 10 percent to low-income families, 14 percent to moderate-income families, 34 to middle-income families, and 42 percent to upper-income families. Home improvement loans for the income summary totaled 59.

Refinance Loans

The bank's income distribution for the low-income and moderate-income categories is below area demographic data. The income distribution was as follows: 8 percent to low-income families, 13 percent to moderate-income families, 48 to middle-income families, and 31 percent to upper-income families. Refinance loans for the income summary totaled 62.

In addition to loans originated internally by the bank, CNB provided customers with access to a broad range of residential real estate mortgages through the secondary market. During the sample period, the bank assisted with the sale of 421 loans totaling \$57 million.

The geographic distribution of CNB's lending activity reflects a reasonable dispersion of loans within the bank's assessment area. Based on the consolidated review of loans in the bank's assessment area, less than 1 percent is in low-income census tracts, 24 percent is in moderate-income census tracts, 45 percent is in middle-income census tracts, and 30 percent is in upper-income census tracts. Of the 44 census tracts in the bank's AA 5 percent are low-income tracts, 27 percent are moderate-income tracts, 45 percent middle-income tracts, and 20 percent upper-income tracts. The bank's loan penetration is less than area demographics in low- and moderate-income tracts. This is not a concern since these tracts primarily consist of the downtown area with limited lending opportunities. Geographic barriers include the I-70 corridor and natural waterways.

CNB originated the majority of its loans to borrowers with properties within the bank's assessment area. Our consolidated review consisted of 332 loans totaling \$20 million with 91 percent by number and 78 percent by dollar originated within the bank's assessment area.

The bank's loan-to-deposit ratio is reasonable given local economic conditions and significant competition within the bank's assessment area. The bank's quarterly average loan-to-deposit ratio of 87 percent for December 1998 through September 2003 compares favorably to similar situated financial institutions. The quarterly average ratio for two local similarly situated institutions ranged from 79 percent for a \$49 million bank to 69 percent for a \$67 million bank.

The bank has not received any complaints about its CRA performance in helping to meet the credit needs of its AA. In addition, an analysis of public comments and consumer compliant information was performed according to the OCC's risk-based Fair Lending approach. Based on an analysis of the information, the OCC determined that a comprehensive Fair Lending examination would not be performed in connection with this CRA evaluation.

DESCRIPTION OF INSTITUTION

Community National Bank is a \$67 million financial institution with its main office and a teller-service branch headquartered in Topeka, Kansas. It is 100% owned by Community Financial Corp. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of its assessment area. The bank offers a variety of deposit and credit related products, including agricultural related loans. Primary bank products consist of commercial and 1-4 family residential real estate loans. Competition is tight. Several financial entities help to serve the banking needs of Topeka and nearby residents. Resident primary credit needs include small business and affordable housing loans. Banking hours are reflective of customers' needs. After hour appointments are available as needed. The bank has three ATM locations. One at each banking location and one stand alone at one of the local malls.

DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income areas. The bank's assessment area covers all of Shawnee County, Kansas and consists of 44 census tracts based upon the 1990 Census Data. Tracts characteristics are as follows: 2 low-income, 12 moderate-income, 20 middle-income, 9 upper-income, and 1 not applicable.

Refer to the bank's CRA Public File for additional information about the bank and its' assessment area.