



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 14, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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 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.

- **The bank's loan-to-deposit ratio is reasonable.**
- **The bank makes a substantial majority of its loans within the identified assessment areas.**
- **The bank's lending to borrowers of different incomes and businesses of different sizes is reasonable.**
- **The geographic distribution of the bank's loans reflects reasonable penetration to moderate-income areas.**

SCOPE OF EXAMINATION

We performed a small bank CRA exam for Kingston National Bank using financial data as of December 31, 2007. The evaluation period for lending activity included the years of 2005, 2006 and 2007, with any community development loans and/or investments evaluated from January 7, 2003 through April 14, 2008. The loan-to-deposit ratio was reviewed using both a current and 21-quarter average. Analysis of lending performance inside the identified assessment area, borrower income distribution and geographical distribution was based on the Home Mortgage Disclosure Act (HMDA) loan origination data for 2005 through 2007, a sample of 40 consumer loans originated during the evaluation period, and a sample of 47 commercial/commercial real estate/farm loans also made during the review period. The following table indicates the bank's primary lending products (by number and dollars) during the evaluation period.

<i>Primary Lending Products - 2005 through 2007</i>		
<i>Loan Type</i>	<i>% by Dollar Amount of Loans Originated during the evaluation period</i>	<i>% by Number of Loans Originated during the evaluation period</i>
Commercial/Commercial Real Estate	65%	38%
Residential Real Estate	26%	15%
Consumer	9%	47%
Total	100%	100%

Source: Bank Internally Supplied System Reports

DESCRIPTION OF INSTITUTION

Kingston National Bank (KNB) is a wholly owned subsidiary of Kingston Bancshares, Inc., a one bank intrastate holding company located in Kingston, Ohio. The main office of KNB is located approximately 50 miles southeast of Columbus, Ohio, in the Village of Kingston, Ohio. The bank's primary business focus is retail/commercial banking and it

offers traditional products and services through a total of four full service offices. One new branch was added during the assessment period (South Bloomfield in 2005) and none were closed. All offices contain an automated teller machine (ATM) to provide 24-hour banking, and the bank also provides a stand-alone ATM located in Chillicothe, Ohio. Overall competition for loans and deposits within the bank's marketing area is moderate, coming primarily from several local community banks and credit unions, as well as branches of large, regional institutions. Currently no legal or economic 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 CRA examination completed in January 2003.

As of December 31, 2007, KNB reported total assets of \$156 million and Tier One capital of \$17.3 million, with net loans representing about 67% of assets. Loans for one-to-four family residential housing purposes represented about 28% of gross loans, with the remainder divided among loans having commercial, individual or agricultural purposes. The table below shows the bank's approximate loan mix as of December 31, 2007.

<i>Loan Mix as of December 31, 2007*</i>		
<i>Loan Type</i>	<i>\$ 000s</i>	<i>Percentage</i>
Commercial/Commercial Real Estate	42,606	40
Residential Real Estate	29,824	28
Agricultural	27,694	26
Loans to Individuals	6,391	6
Total	106,515	100

Source: December 31, 2007 Uniform Bank Performance Report

*Based on gross loans as of December 31, 2007

DESCRIPTION OF ASSESSMENT AREA(S)

The bank currently has two assessment areas (AA). One AA represents geographies in Pickaway and Fairfield Counties which are located within Metropolitan Statistical Area (MSA) #18140-Columbus, Ohio (MSA AA). The second AA consists of non-MSA geographies in Ross and Hocking Counties (Non-MSA AA). Senior management and the Board of Directors last adjusted the AAs in 2004, which resulted in a reduced number of geographies within the AAs. This change was well documented and due primarily to a review of office proximity, industry competition, penetration level and targeted marketing area. The AAs are contiguous and completely surround the bank's offices. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas.

MSA AA:

The MSA AA consists of 14 census tracts (tracts) of the Columbus, Ohio MSA #18140. Columbus, Ohio is located in Franklin County and the bank's main office is approximately 50 miles south of the Ohio state capital. KNB currently holds only a 0.10% deposit market share and ranks 44th of 61 financial institutions holding MSA

deposits as of June 30, 2007. These tracts represent all 12 geographies in Pickaway County and two tracts of Fairfield County. This AA was modified in 2004 by removing all of the northeastern tracts of Fairfield County (including the City of Lancaster and the Village of Pickerington) due to the distance from the nearest KNB banking office and lack of penetration. In addition, the geographies removed from the AA reflect strong competition from other financial institutions. The bank currently has two offices within the MSA AA. One office is located in the southeast corner of Fairfield County in the Village of Amanda and one is located in Pickaway County in the Village of South Bloomfield. The South Bloomfield branch is the newest, having opened in March 2005.

The overall economic condition in the MSA AA is beginning to stabilize, but had been declining during the review period due to significant job loss. Unemployment levels in these two counties of 5.1% in Fairfield County and 6.6% in Pickaway County, as of February 2008, continue to be near or above the State of Ohio and national levels of 5.3% and 4.8%, respectively. Key industries remain light manufacturing and agriculture. Current larger employers include DuPont, General Electric and Berger Hospital. A community contact indicated that there were no significant unmet community credit needs, but increased financial education/literacy programs would be beneficial.

The 2000 census shows that the MSA AA contains a total population of 64,563, consisting of 16,240 families, and reflects a median family income of \$48,882. The 2007 Department of Housing and Urban Development (HUD) estimated MSA median family income is \$64,200. The AA family total is made up of 21% low-income, 22% moderate-income, 27% middle-income and 30% upper-income families. Of the MSA AA's 22,315 housing units, approximately 72% are owner-occupied and have an average median value of \$108,017. Of the 14 tracts in this AA, zero (0%) are classified as low-income, three (21%) are classified as moderate-income, 10 (72%) are classified as middle-income, zero (0%) are classified as upper-income geographies and one (7%) is classified as not applicable. The not applicable (NA) tract is tract #213 in Pickaway County and apparently does not contain sufficient population and/or families to allow for an effective income designation. The table below summarizes the MSA AA's income composition by families and geographies.

<i>MSA AA Income Composition by Families and Geographies</i>										
<i>Income Designation</i>	<i>Low-Income</i>		<i>Moderate-Income</i>		<i>Middle-Income</i>		<i>Upper-Income</i>		<i>Not Applicable</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Families	3,435	21%	3,553	22%	4,321	27%	4,932	30%	0	0%
Census Tracts	0	0%	3	21%	10	72%	0	0%	1	7%

Source: 2000 Census Data

Non-MSA AA:

The Non-MSA AA, which consists of 13 tracts located in Ross and Hocking Counties, is the primary AA as it accounts for the majority of bank loans and deposits. These AA tracts represent the northern half of Ross County (12 tracts), and are contiguous to the one tract located in the western section of Hocking County. This AA borders the southern portion of the MSA AA detailed above. KNB has a 9% deposit market share in the Non-MSA AA and ranks 6th out of 14 institutions for AA deposit holdings. In 2004, this AA was changed to remove three tracts in western Ross County. Management had been unsuccessful penetrating these tracts as they are approximately 20 miles away from the nearest KNB branch and well served by several closer competitors. Although the bank currently has two offices and a stand-alone ATM in Ross County, both offices are located in the same tract in the northeast corner of the county, near the Ross/Pickaway County border.

The economic condition within these counties is stable. These two counties are mostly rural with an agricultural focus, but have some light manufacturing. The unemployment levels in both Ross and Hocking Counties are 7.5% as of February 2008, and continue to run well above the state and national levels identified above. Larger employers in this AA include Paccar (Kenworth), Adena Medical Center and two state prisons. A community contact indicated that currently there were no unmet community credit needs.

The 2000 census shows that the Non-MSA AA contains a population of 55,232, has 14,097 total families and has a median family income of \$43,801. The 2007 HUD estimate of the statewide non-MSA median family income for Ohio is \$50,000. The AA family total is made up of 18% low-income, 18% moderate-income, 24% middle-income and 40% upper-income families. Of the AA's 21,988 housing units, about 67% are owner-occupied and have an average median value of \$86,031. Of the 13 tracts in this AA, zero are classified as low-income, one (8%) is classified as moderate-income, ten (77%) are classified as middle-income, and two (15%) are classified as upper-income geographies. The table below summarizes the AA's income composition by families and geographies.

<i>Non-MSA AA Income Composition by Families and Geographies</i>								
<i>Income Designation</i>	<i>Low-Income</i>		<i>Moderate-Income</i>		<i>Middle-Income</i>		<i>Upper Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Families	2,573	18%	2,470	18%	3,350	24%	5,704	36%
Census Tracts	0	0%	1	8%	10	77%	2	15%

Source: 2000 Census Data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- **KNB’s current and 21-quarter loan-to-deposit ratios are reasonable when compared with the performance of other similarly situated banks.**

KNB’s loan-to-deposit (LTD) ratio of 79% as of December 31, 2007, and average LTD ratio over the last 21 quarters of 83% are reasonable and meet the requirements for satisfactory performance. For analysis purposes, KNB’s current and 21-quarter average LTD ratios were compared with a national peer bank group, as well as a custom peer group consisting of five banks of similar size and purpose competing within the same AAs. This analysis showed that KNB’s LTD ratios approximated the current national peer group ratio of 81% and were slightly above the 21-quarter average of 79%. Similar findings were noted when ratios were compared for the custom peer group. This analysis demonstrated that KNB’s ratios were well within the custom peer’s current range of 68% to 84%, as well as the 21-quarter average range of 67% to 84%.

Lending in Assessment Area

- **The bank makes a substantial majority of loans within its identified AAs.**

The bank’s HMDA data for years 2005, 2006 and 2007 was reviewed to determine the level of home loans originated within the identified AA (combined MSA and Non-MSA). The HMDA data shows that approximately 88% (128 in the MSA and 146 in the Non-MSA) of all home loans originated during the review period were from inside the bank’s identified AA. The following table details the bank’s HMDA applicable lending by product type within the combined AA.

<i>HMDA Applicable Home Loan Originations</i>								
<i>2005 – 2007</i>								
<i>Total HMDA Home Loans</i>	<i>KNB Combined Assessment Area</i>							
	<i>Product Type</i>	<i>No.</i>	<i>Dollar (000’s)</i>	<i>Number Inside AA</i>		<i>Dollar Inside AA (000’s)</i>		<i>% Made in AA</i>
	Purchase	161	16,138	139	86%	14,306	89%	
	Refinance	90	8,845	80	89%	8,066	91%	
	Home Improvement	62	2,601	55	89%	2,275	88%	
Total	313	27,584	274	88%	24,647	89%		

Source: HMDA Loan Application Registers (LARs) 2005 - 2007

In addition, a random sample of 47 commercial/agricultural and 25 consumer purpose loans made within the review period were tested for performance in this area. Findings

further document that the bank makes a substantial majority of its loans within the identified AA. Our samples indicate that 42 (24 in the MSA AA and 18 in the Non-MSA AA) or 89% of the commercial loans, as well as 80% (20) of the consumer purpose loans were made within the identified AA.

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

- **The distribution of the HMDA loans, sampled commercial/agricultural loans and sampled consumer loans, demonstrates reasonable penetration among borrowers of different income levels and business of different sizes, and is reflective of overall satisfactory performance.**

Lending performance to low-income borrowers for HMDA loans is below the demographic comparators for both AAs, but is reasonable considering the level of potential borrowers below the poverty level combined with the median cost of housing and the banks credit qualification standards. In addition, the bank's home loan lending to moderate-income borrowers exceeds the demographic comparators for both AAs. Further supporting satisfactory performance is the sample of consumer loans, which indicates excellent borrower income distribution, as well as the reasonable record of lending to business and farms of different sizes. The information below details the bank's performance under this lending criterion for each of the bank's AAs.

MSA AA:

To determine the bank's performance in the AA under this performance criterion, the 128 HMDA reported home loans originated in this AA from 2005 to 2007 were evaluated by borrower income level. Four originated loans did not report income data and were not included in the analysis. The analysis shows that the bank made 17 (14%) of its loans to low-income borrowers, 33 (27%) to moderate-income borrowers, 25 (20%) to middle-income borrowers, and 49 (39%) to upper-income borrowers.

While home loan originations to low-income borrowers as a percentage of total home loans are less than the percentage (21%) of low-income families in the AA, overall performance in lending to borrowers of different income levels for the HMDA loans is reasonable. Factors to consider which may affect penetration to low-income borrowers are that 9% of all MSA AA households are below the poverty level and may have trouble qualifying under standard underwriting requirements, as well as affording the \$108,017 median cost of AA housing. In addition, the bank generally requires a 15% down payment for home purchase loans. Furthermore, 19% of all the bank's home loan applications in the MSA AA during this period were to low-income borrowers, indicating that home loan lending activity in this income-category is present. The bank's level of lending to moderate-income borrowers compares very favorably with the AA percentage (22%). The following table demonstrates the bank's distribution of home loans by borrower income and compares this dispersion to the AA's specific family income composition.

<i>MSA AA Distribution of Home Loans by Borrower Income vs. AA Family Income Composition</i>									
Borrower Income Level	HMDA Reported Home Loans (\$000's)*								% of MSA AA Families by Income Category
	2005		2006		2007		Total Home Loans		
	# of Lns \$ of Lns	%	# of Lns \$ of Lns	%	# of Lns \$ of Lns	%	# of Lns \$ of Lns	%	
Low	5	13	8	16	4	11	17	14	21%
	251	6	262	5	142	4	655	5	
Moderate	13	34	11	21	9	26	33	27	22%
	1,289	33	929	17	1,033	29	3,251	25	
Middle	8	21	9	18	8	23	25	20	27%
	618	16	1,069	19	679	19	2,366	18	
Upper	12	32	23	45	14	40	49	39	30%
	1,729	45	3,261	59	1,752	48	6,742	52	
Totals	38	100	51	100	35	100	124	100	100%
	3,887	100	5,521	100	3,606	100	13,014	100	

Source: 2005-2007 HMDA LARs & 2000 Census Data

*4 loans did not report income data and were not included in this analysis.

The bank’s lending to business of different sizes in the MSA AA is reasonable when compared to the AA business dispersion and further supports satisfactory performance. According to the 2000 census data, 64% of all of the MSA AA businesses reported total revenues of under \$1 million, 4% reported revenues of over \$1 million, and 32% did not report revenue. The sample of 24 commercial purpose loans made to businesses or farms in the MSA AA during the review period was analyzed to determine the annual revenue for each. The sample indicated that 22 (92%) of these loans were made to businesses or farms with total annual revenues under \$1 million.

The distribution of the bank’s consumer loans by borrower income level in the MSA AA is good. The sample of consumer loans made in the MSA AA during the review period was increased to 20, and subsequently reviewed to determine the bank’s performance under this lending criterion. The borrower income figure for each loan was compared against the MSA updated median family income figure for the year the loan originated to determine the appropriate borrower income category. Then the bank’s percentage of the number of consumer loans originated to borrowers by income level was compared against the percentage of AA households in each income category identified by the 2000 census data. This analysis indicated that KNB’s lending to low-income borrowers significantly exceeded the demographic. Lending to moderate-income borrowers was reasonable. Specifically, the bank made eight (40%) of the sampled loans to low-income borrowers, three (15%) to moderate-income borrowers, seven (35%) to middle-income borrowers, and two (10%) to upper-income borrowers. The following table demonstrates the bank’s distribution of sampled consumer purpose loans by borrower income and compares this dispersion to the AA’s specific household income composition.

MSA AA					
<i>Distribution of Consumer Loans by Borrower Income vs. AA Household Income Composition</i>					
Borrower Income Level	Sampled Consumer Loans				% of MSA AA Households by Income Category
	Number	Percent	Dollars (000's)	Percent	
Low	8	40	49	23	22%
Moderate	3	15	7	3	18%
Middle	7	35	118	55	22%
Upper	2	10	40	19	38%
Totals	20	100	214	100	100%

Source: MSA AA Consumer Loan Sample & 2000 Census Data

Non-MSA AA:

Overall, HMDA loan distribution is acceptable, but performance in the Non-MSA AA is considered weaker due to the low penetration to low-income borrowers. To determine the bank's performance under this lending criterion, the 146 HMDA reported home loans originated in the Non-MSA AA from 2005 to 2007 were evaluated by borrower income level. Six originated loans did not report income data and were not included in the analysis. This analysis shows that the bank made eight (6%) of its home loans to low-income borrowers, 31 (22%) to moderate-income borrowers, 36 (26%) to middle-income borrowers, and 65 (46%) to upper-income borrowers.

Home loan origination to low-income borrowers as a percentage of total home loans (6%) is poor and significantly less than the percentage of low-income families in the AA (24%). However, a factor which may affect the penetration to low-income borrowers is that 11% of the AA population is below the poverty line and may have trouble meeting routine credit criteria, as well as affording the \$86,031 median cost of AA housing. As already noted, the bank's general requirement is a 15% down payment for home purchase loans which may be a challenge for the majority of low-income borrowers to achieve. Additionally, 10% of all bank home loan applications taken from this AA during the review period are attributed to low-income borrowers, indicating home loan lending efforts in this income category are present. The bank's level of lending to moderate-income borrowers compares favorably with the AA percentage (18%). The following table demonstrates the bank's distribution of home loans by borrower income and compares this dispersion to the AA's specific family income composition.

<i>Non-MSA AA</i>									
<i>Distribution of Home Loans by Borrower Income vs. AA Family Income Composition</i>									
Borrower Income Level	Sampled HMDA Reported Home Loans (\$000's)*								% of Non-MSA AA Families by Income Category
	2005		2006		2007		Total Home Loans		
	# of Lns \$ of Lns	%	# of Lns \$ of Lns	%	# of Lns \$ of Lns	%	# of Lns \$ of Lns	%	
Low	2	5	3	6	3	7	8	6	18%
	24	1	101	2	33	1	158	2	
Moderate	7	17	14	25	10	23	31	22	18%
	525	19	632	14	445	13	1,602	15	
Middle	11	26	14	25	11	26	36	26	24%
	710	26	1,427	44	574	17	2,711	25	
Upper	22	52	24	44	19	44	65	46	40%
	1,503	54	2,267	51	2,331	69	6,101	58	
Totals	42	100	55	100	43	100	140	100	100%
	2,762	100	4,427	100	3,383	100	10,572	100	

Source: 2005-2007 HMDA LARs & 2000 Census Data

The bank's lending to business of different sizes in the Non-MSA AA is reasonable when compared to the AA business dispersion and further supports satisfactory performance. According to the 2000 census data, 61% of all of the Non-MSA AA businesses reported total revenues of under \$1 million, 4% reported revenues of over \$1 million, and 35% did not report revenue. The sample of commercial purpose loans made to businesses and farms in the Non-MSA AA during the review period was increased to 20 and tested to determine the annual revenue for each. This sample demonstrated that 17 (85%) of these loans were made to businesses or farms with total annual revenues under \$1 million.

The distribution of the bank's consumer loans by borrower income for this AA is excellent. The sample of consumer loans made in this AA during the review period was increased to 20. The borrower income figure for each loan was compared against the State of Ohio non MSA updated estimated median family income figure for the year the loan originated to determine the appropriate borrower income category. The bank's percentage of the number of consumer loans originated to borrowers by income level was then compared against the percentage of AA households in each income category identified by the 2000 census data. This analysis indicated that KNB's lending to both low- and moderate-income borrowers significantly exceeded the demographic. Specifically, the bank made six (30%) of its loans to low-income borrowers, 10 (50%) to moderate-income borrowers, three (15%) to middle-income borrowers, and one (5%) to upper-income borrowers. The table below demonstrates the bank's distribution of sampled consumer purpose loans by borrower income compared to the AA's specific household income composition.

<i>Non-MSA AA Distribution of Consumer Loans by Borrower Income vs. AA Household Income Composition</i>					
Borrower Income Level	Sampled Consumer Loans				% of Non MSA AA Households by Income Category
	Number	Percent	Dollars (000's)	Percent	
Low	6	30	105	17	22%
Moderate	10	50	137	22	16%
Middle	3	15	328	53	21%
Upper	1	5	50	8	41%
Totals	20	100	620	100	100%

Source: Non-MSA AA Consumer Loan Sample & 2000 Census Data

Geographic Distribution of Loans

- The bank’s distribution of loans throughout geographies of different income levels, including moderate-income geographies, is reasonable and meets the standards for satisfactory performance.
- Analysis reflects lending activity in most AA geographies, with no conspicuous gaps.

MSA AA:

Dispersion of HMDA home loans is good when compared with the overall geographic and demographic composition of the MSA AA and exceeds the standards for satisfactory performance. To determine the bank’s performance under this lending criterion, we again used the 124 HMDA loans originated in this AA during the review period, but evaluated them by income geography. This information was then compared against the AA’s level of owner-occupied housing (OOH) units in each income category. As this AA contains no low- or upper-income tracts, conclusions are based on the penetration of the other two income categories. Although this AA also contains one tract without an income designation, this tract contains only five units of OOH and no HMDA loans were made in this geography. Therefore, this tract was excluded from the analysis. The evaluation shows that the bank made 22 (18%) loans in moderate-income tracts and 102 (82%) in middle-income tracts. The demographics show that only 10% of available owner-occupied housing is located in moderate-income tracts, yet the bank made 18% of its home loans during the review period in these geographies. The following table demonstrates the bank’s distribution of HMDA reported home loans by income geography compared to the percentage of OOH contained in each AA income geography.

MSA AA									
<i>Distribution of Home Loans by Income Geography vs. AA Owner-Occupied Housing Units</i>									
Census Tract Income Level	HMDA Reported Home Loans (\$000's)								% of MSA Owner-Occupied Housing Units
	2005		2006		2007		Total Home Loans		
	# of Lns	%	# of Lns	%	# of Lns	%	# of Lns	%	
	\$ of Lns		\$ of Lns		\$ of Lns		\$ of Lns		
Low	NA		NA		NA		NA		NA
Moderate	3	8	11	22	8	23	22	18	10%
	240	6	626	11	479	13	1,345	10	
Middle	35	92	40	78	27	77	102	82	90%
	3,647	94	4,895	89	3,127	87	11,669	90	
Upper	NA		NA		NA		NA		NA
Totals	38	100	51	100	35	100	124	100	100%
	3,887	100	5,521	100	3,606	100	13,014	100	

Source: 2005-2007 HMDA LARs & 2000 Census Data

The sample of 24 commercial loans made in this AA was analyzed to determine the geographic location for each. This information was then compared to the AA's geographic composition by income category detailed earlier, as well as the level of businesses & farms in each category. Demographics show that 20% of all AA business and farms are in moderate-income tracts, with 80% housed in middle-income geographies. Overall, the commercial sample noted weak performance, with one (4%) loan made in a moderate-income tract and 23 (96%) made in middle-income tracts.

The distribution of the bank's consumer loans by income geography is acceptable. The sample of consumer loans made in this AA during the review period was also reviewed to determine the penetration by income geography. The income geography for each loan was determined with the bank's percentage of the number of consumer loans originated compared against the percentage of AA households in each geography income category. As this AA contains no low- or upper-income tracts, conclusions are based on the penetration of the moderate- and middle-income geographies. Also, this AA contains one tract without an income designation. However, this tract contains only six total households and was excluded from the analysis. The analysis of the MSA AA consumer loan sample shows that KNB's lending to moderate-income geographies is lower than the demographic indicates, but reasonable considering that 19% of all households in moderate-income geographies are below the poverty level. The following table reflects the bank's dispersion of sampled consumer purpose loans by income geography compared to the percentage of households contained in each AA income geography.

<i>MSA AA Distribution of Consumer Loans by Income Geography vs. AA Households</i>					
Census Tract Income Level	Sampled Consumer Loans				% of MSA AA Households by Income Geography
	Number	Percent	Dollars (000's)	Percent	
Low	NA	NA	NA	NA	NA
Moderate	2	10	30	14	14%
Middle	18	90	184	86	86%
Upper	NA	NA	NA	NA	NA
Totals	20	100	214	100	100%

Source: MSA consumer loan sample & 2000 Census data

Non-MSA AA:

The distribution of the bank’s home loans throughout the Non-MSA AA geographies of different income levels, including moderate-income tracts, is reasonable. To determine the bank’s performance in this area, we again used the 140 HMDA home loans originated in this AA during the review period, but evaluated them by income geography. This information was then compared against the AA’s level of owner-occupied housing units in each income category. As this AA contains no low-income tracts, conclusions are based on the penetration of the other three income category geographies. This evaluation shows that the bank made seven (5%) loans in moderate-income tracts, 130 (93%) in middle-income tracts and two (2%) in upper-income tracts. This dispersion is acceptable when compared with the overall geographic and demographic composition of the AA and meets the standards for satisfactory performance. The following table reflects the bank’s dispersion of HMDA reported home loans by income geography, and compares this distribution to the percentage of OOH contained in each AA income geography.

<i>Non-MSA AA</i>									
<i>Distribution of Home Loans by Income Geography vs. AA Owner Occupied Housing Units</i>									
Census Tract Income Level	HMDA Reported Home Loans (\$000's)								% of Non-MSA Owner-Occupied Housing Units
	2005		2006		2007		Total Home Loans		
	# of Lns	%	# of Lns	%	# of Lns	%	# of Lns	%	
	\$ of Lns		\$ of Lns		\$ of Lns		\$ of Lns		
Low	NA		NA		NA		NA		NA
Moderate	3	7	3	5	1	2	7	5	6%
	102	4	180	4	49	1	331	3	
Middle	38	91	51	93	41	96	130	93	81%
	2,513	91	4,157	94	3,282	97	9,952	94	
Upper	1	2	1	2	1	2	3	2	13%
	147	5	90	2	52	2	289	3	
Totals	42	100	55	100	43	100	140	100	100%
	2,762	100	4,427	100	3,383	100	10,572	100	

Source: 2005-2007 HMDA LARs & 2000 Census Data

The sample of 20 commercial loans made in this AA was analyzed to determine the geographic location for each. This information was then compared to the AA's geographic composition by income category and the level of businesses & farms in each category. Demographics show that 7% of all AA business and farms are in moderate-income tracts, with 85% housed in middle-income geographies and 8% contained in upper-income tracts. The commercial sample reflected reasonable distribution, with one loan (5%) made in moderate-income tracts, 18 loans (80%) made in middle-income tracts, and one loan (5%) made in upper-income tracts.

The dispersion of the bank's consumer loans by income geography is weaker for this AA. The sample of consumer loans made in this AA during the evaluation period was reviewed to determine the penetration by income geography. The income geography for each loan was determined with the bank's percentage of the number of consumer loans originated compared against the percentage of AA households in each income geography. As this AA contains no low-income tracts, conclusions are based on the penetration of the moderate-, middle-, and upper-income geographies. The analysis shows that KNB's consumer lending to moderate-income geographies is significantly lower than the demographic indicates. Factors to consider which may affect performance are that this AA has only one moderate-income tract and that 17% of all households in this tract are below the poverty level. In addition, the moderate-income tract is on the southern most edge of the AA, with the bank's closest branch nearly 15 miles away. The table below demonstrates the bank's distribution of sampled consumer purpose loans by income geography, and compares this dispersion to the percentage of households contained in each AA income geography.

<i>Non-MSA AA Distribution of Consumer Loans by Income Geography vs. AA Households</i>					
Census Tract Income Level	Sampled Consumer Loans				% of MSA AA Households by Income Geography
	Number	Percent	Dollars (000's)	Percent	
Low	NA	NA	NA	NA	NA
Moderate	0	0	0	0	8%
Middle	19	95	592	96	80%
Upper	1	5	28	4	12%
Totals	20	100	620	100	100%

Source: Non-MSA AA Consumer Loan Sample & 2000 Census Data

Other

KNB made a total of three community development loans totaling \$267 thousand during the evaluation period. Two loans for \$198 thousand were made in the MSA AA in conjunction with the City of Circleville Homebuyer Grant Program, which provides housing down payment and rehabilitation assistance to area low and/or moderate-income residents. KNB remains active with this program and has committed ongoing financial support and participation. KNB made one community development loan for \$69 thousand in the Non-MSA AA. This loan was made to Frontier Community Services and financed housing units for low and/or moderate-income individuals who are mentally or developmentally disabled. KNB also provides additional support and financing to assist this organization with its ongoing operational needs. KNB’s community development lending had a neutral effect on the overall conclusion.

Responses to Complaints

Neither the bank nor our office has received any complaints about the bank’s CRA performance 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