



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 19, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Central National Bank
Charter Number 23087**

**2018 Tate Springs Road
Lynchburg, VA 24501**

**Comptroller of the Currency
Virginia Field Office
3800 Electric Road Suite 204
Roanoke, VA 24018**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The rating was assigned based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans were originated within their assessment area.
- Analysis reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- No public complaints related to CRA have been filed since the last CRA examination.

DESCRIPTION OF INSTITUTION

Central National Bank (CNB) is not a subsidiary of a holding company and there have not been any major changes in the bank's corporate structure since the last CRA examination. CNB received a satisfactory CRA rating at its last CRA performance evaluation dated February 12, 1998. There are no legal or financial impediments to CNB's ability to meet the credit needs of its assessment area.

CNB's main office is located in Lynchburg, Virginia. The bank operates five full-service branch offices within its assessment area. Four branches are located in Lynchburg, VA and one in Madison Heights, VA. The bank opened three offices and did not close any offices since the last CRA examination. CNB currently does not have any depository ATMs.

As of March 31, 2002, CNB's assets totaled \$116 million, of which net loans comprise 56%. The following table reflects the composition of CNB's loan portfolio based on the March 31, 2002 call report.

Product Category	Gross Loans as of March 31, 2001*	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	43,217	66.48
Residential Mortgage Loans	11,851	18.23
Construction & Land Development	5,870	9.03
Individuals	2,483	3.82
All Other	1,573	2.42
Farmland and Agriculture	13	0.02
Total	65,007	100

* Data obtained from Call Report

Management does not formally track loan originations by type, therefore we chose primary loan

types based on outstanding balances and discussions with management about loan originations. As indicated in the table above, the bank's primary loan types based on outstanding balances are commercial loans and residential mortgage loans. A third primary loan product is consumer loans. Because most of these loans are small dollar loans, it is not reflected as a primary loan product based on outstanding balances. However, management indicated a significant portion of the number of loans they make are consumer loans so we included it as a primary loan type for evaluation purposes.

DESCRIPTION OF LYNCHBURG, VA MSA #4640

The bank has one assessment area, the Lynchburg, VA MSA 4640, which consists of Amherst and Campbell Counties and the City of Lynchburg. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The assessment area (AA) is located near the geographic center of the state bordered by the Blue Ridge Mountains. The AA is located approximately 180 miles southwest of Washington D.C. and consists of 73 census tracts, all included in the Lynchburg MSA. The area's population is approximately 142,000 and is characterized by a low cost of living and affordable housing. Unemployment as of March 2002 was 5.6% for Amherst County, 5.9% for the City of Lynchburg, and 6.7% for Campbell County, compared to the state average of 4.0%. Unemployment is higher in this region due to recent layoffs and closing of several major textile and manufacturing companies. The area's top three industries by distribution of employees are manufacturing, government, and retail trade. The largest employers in the area (by number of employees) are Ericsson, BWX Technology, Framatome Technology, R.R Donnelley and Sons and Interment Foundry. Competition in this assessment area is strong with 25 large bank branches, 21 regional bank branches, and 18 community bank branches.

The following table includes general demographic data describing the assessment area.

Demographic Characteristics of the Lynchburg, VA MSA 4640 Assessment Area		
<u>Number of Geographies by Income Level:</u>	Low-Income	3
	Moderate-Income	10
	Middle-Income	22
	Upper-Income	6
	N/A	32
<u>Percent of Geographies by Income Level:</u>	Low-Income	4.11
	Moderate-Income	13.70
	Middle-Income	30.14
	Upper-Income	8.22
	N/A	43.84
<u>Percent of Population in each Tract</u>	Low-Income	2.88
	Moderate-Income	13.83
	Middle-Income	69.78
	Upper-Income	12.78
<u>Percent of Families by Income Level:</u>	Low-Income	2.33
	Moderate-Income	10.12
	Middle-Income	74.20
	Upper-Income	13.35
<u>Median Housing Characteristics</u>	Median Home Value	58,644
	Percent Owner Occupied Units	63.81
	Median Gross Rent	334
<u>Median Income Data:</u>	1990 Census Median Family Income	31,863
	Updated Median Family Income	47,700

Community Contact

We conducted one community contact during this examination with a representative of the Small Business Development Center. They indicated local financial institutions were serving the local community and doing a relatively good job of providing financing for local business needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Given the bank's size and location, the loan-to-deposit ratio is reasonable. A review of bank data reveals that CNB is similarly situated to Bank of the James and Community First. All institutions are similar in asset size, offer similar credit products, operate in the same assessment area as CNB, and are considered small banks under CRA guidelines. The following table reflects the quarterly average loan to deposit ratio of CNB and the similarly situated banks:

Institution Name	Average Loan to Deposit Ratio Seventeen Quarters Beginning January 1,1998
Central National Bank	67.55%
Bank of the James	68.29%
Community First	115.33%

As reflected above, Central National Bank's loan-to-deposit ratio is well below one bank but in line with the other.

Lending in Assessment Area

The bank originated a substantial majority of its total loans within their assessment area. The analysis of lending in the bank's assessment area included a sample of each of the three primary loan types. The tables that follow summarize the results of our review of loans made in CNB's assessment area between January 1, 1998 and March 31, 2002.

Lending Inside/Outside the Assessment Area

Assessment Area:	% of Rated Area Loans (#) in AA	Home Mortgage		Consumer		Small Loans to Businesses		Total Sampled Loans		% of Rated Area Deposits in AA
		%Inside	%Outside	%Inside	%Outside	%Inside	%Outside	%Inside	%Outside	
Lynchburg, VA MSA 4640	100.00	80.15	19.85	81.58	18.42	71.43	28.57	79.21	20.79	100.00

Sample Files Inside the Assessment Area

Assessment Area:	Total Home Purchase Loans				Total Consumer Loans				Total Small Loans to Businesses			
	#	% of Total	\$	% of Total	#	% of Total	\$	% of Total	#	% of Total	\$	% of Total
Lynchburg, VA MSA 4640	53	100.00	3,195	100.00	31	100.00	247	100.00	20	100.00	1,855	100.00

As indicated in the tables above, a substantial majority of both the total number and total dollar of all three primary loan products were made within the bank's assessment area.

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

The distribution of loans, given the demographics of the assessment area, reflects reasonable penetration among borrowers of different income levels (including low-and moderate income) and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using all files inside the assessment area from the lending in the assessment area sample, excluding loans for which income information was not available. The following tables reflect the results for each primary loan type.

Borrower Distribution of Home Mortgage Loans

Assessment Area:	Low-Income Families			Moderate-Income Families			Middle-Income Families			Upper-Income Families		
	% Families	%Bank #Loans	%Bank \$Loans	% Families	%Bank #Loans	%Bank \$Loans	% Families	%Bank #Loans	%Bank \$Loans	% Families	%Bank #Loans	%Bank \$Loans
Lynchburg, VA MSA 4640	20.66	12.00	3.55	18.62	12.00	5.69	23.33	30.00	29.28	37.38	46.00	61.48

As indicated above, the percentage of home mortgage loans by both number and dollar to low-and moderate-income families is low compared to the percentage of families in the assessment area. However, a large percentage of low- and moderate- income families in this assessment area reside in renter occupied dwellings and therefore would not have mortgage loans.

Borrower Distribution of Consumer Loans

Assessment Area:	Low-Income Households			Moderate-Income Households			Middle-Income Households			Upper-Income Households		
	% HH	% Bank # Loans	% Bank \$ Loans	% HH	% Bank # Loans	% Bank \$ Loans	% HH	% Bank # Loans	% Bank \$ Loans	% HH	% Bank # Loans	% Bank \$ Loans
Lynchburg, VA MSA 4640	24.54	46.67	27.95	16.80	26.67	28.63	19.90	16.66	29.41	38.76	10.00	14.01

As indicated above, the percentage of bank loans to low- and moderate-income borrowers by dollar and number compare favorably to the percent of households in the assessment area.

Borrower Distribution of Small Loans to Businesses

Assessment Area:	Businesses With Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size					
	% of Businesses	% # Bank Loans	% \$ Bank Loans	\$100,000 or less		>\$100,000 to \$250,000		>\$250,000 to \$1,000,000	
				#	\$	#	\$	#	\$
Lynchburg, VA MSA 4640	86.39	73.33	83.30	17	700	2	324	1	831

As indicated above, the percentage of bank loans to businesses with revenues of \$1 million or less is in line with the percentage of small businesses in the assessment area.

Geographic Distribution of Loans

CNB's geographic distribution of loans reflects reasonable dispersion throughout their assessment area. The analysis of the geographic distribution of loans was completed using all files inside the assessment area from the lending in the assessment area sample. The following tables reflect the results for each primary loan type.

Geographic Distribution of Home Mortgage Loans

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% Owner Occ Units	%Bank #Loans	%Bank \$Loans	% Owner Occ Units	%Bank #Loans	%Bank \$Loans	% Owner Occ Units	%Bank #Loans	%Bank \$Loans	% Owner Occ Units	%Bank #Loans	%Bank \$Loans
Lynchburg, VA MSA 4640	1.43	3.78	5.48	9.07	15.09	7.86	75.92	64.15	67.95	13.57	16.98	18.71

As indicated above, the percentage of bank loans by dollar and number of loans in low- and moderate-income geographies compares favorably to the percentage of owner occupied units in the assessment area.

Geographic Distribution of Consumer Loans

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% HH	% Bank # Loans	%Bank \$Loans	% HH	%Bank #Loans	%Bank \$Loans	% HH	%Bank #Loans	%Bank \$Loans	% HH	%Bank #Loans	%Bank \$Loans
Lynchburg, VA MSA 4640	3.02	0.00	0.00	11.23	6.67	5.99	72.55	60.00	60.00	13.18	33.33	34.01

As indicated above, the bank has no penetration in the low-income geographies for consumer loans. However, this is mitigated by the fact that only 3.02% of households are located in low-income geographies. The bank’s penetration in moderate-income geographies is reasonable given the small percentage of households located in moderate-income geographies.

Geographic Distribution of Small Loans to Businesses

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% Bus	%Bank #Loans	%Bank \$Loans	%Bus	%Bank #Loans	%Bank \$Loans	% Bus	%Bank #Loans	%Bank \$Loans	% Bus	%Bank #Loans	%Bank \$Loans
Lynchburg, VA MSA 4640	7.90	0.00	0.00	16.15	31.25	35.35	64.40	31.25	37.66	11.55	37.50	26.99

As indicated above, the bank has no penetration in the low-income geographies. However, only 7.9% of small businesses in this assessment area are located in low-income geographies. The bank’s penetration in moderate-income geographies compares favorably to the percentage of small businesses in moderate-income geographies.

Responses to Complaints

CNB has not received any CRA-related complaints since the February 12, 1998 CRA examination.

Fair Lending Review

An analysis of 1998 through 2000 public comments and consumer complaint information and HMDA and small business lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.