

EXECUTIVE Newsletter



Citizens
NATIONAL BANK

Financial



Message from President

J. Michael Romey,
President/CEO of Citizens National Bank



As Washington seeks to find solutions for the current economic crisis, rest assured that Citizens continues to support our local communities. We are well capitalized and, because we are a small business, our officers understand the needs of small business owners and are able to make lending decisions based on firsthand knowledge of our local economy. We are accessible to our customers on site and we are able to incorporate character, business history, and spending habits into many of our lending decisions. We want to build a relationship with our customers rather than simply process a transaction.

Big banks tend to shift depositors' funds away from local projects into areas that make them the most profit, while we maintain our deposits and loan them to local businesses where we live and work. Your deposits are used locally to develop small businesses, make home loans, and to finance the purchase of cars and student loans. Our officers and employees live in the same towns, shop in the same stores, attend the same churches and send our children to the same schools as our customers. We take an active role in making our communities better places to live by participating in civic organizations and aiding many charitable projects, often as the lead sponsor.

While the regional banks chased profits and took risks to make a fast buck, we stuck to our traditional sound business practices and lending standards. Being a common sense lender has put us in a position to lead our communities through an economic recovery by continuing to lend small businesses what they need and investing in their future.

As we face this current set of economic challenges, Citizens National Bank will be part of the solution just like we have been over the past 89 years.

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Online Video Series Addresses Small Business Questions

As a small business owner/manager what are some of your top concerns? Through focus group research and studies conducted through the NFIB and Visa, Citizens National Bank developed a list of small business questions/concerns that through our web video series, on

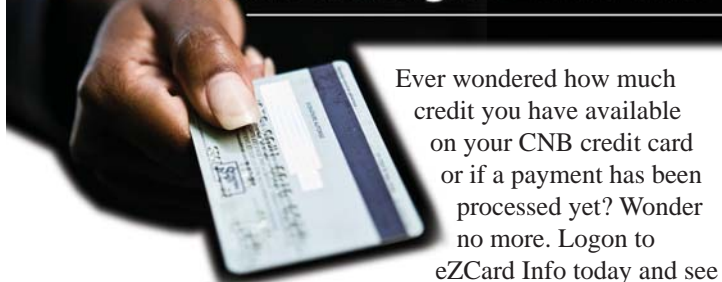


www.cnbohio.com, we will address. Each month a new video will be featured that discusses one of the topics we've identified as being a top concern for small business owners. As your business partner, we want to aid you in successfully answering your business questions and provide solutions, even if they're not financially-based. The first video in the series discusses credit concerns and what you should have prepared when asking for credit from a lender, such as Citizens National Bank. Darrell Buroker, EVP/Chief Lending Officer for CNB is featured in this video. Throughout the year, the following topics will be discussed featuring experts in these fields:

- the rising cost of healthcare and insurance benefits
 - good sources for small business advice
 - hiring quality staff
 - managing your company's cash flow
 - the benefits of going green
 - networking opportunities
 - business taxes
- and more!*

If you're interested in being notified each time a new video is launched, visit www.cnbohio.com and click the *Sign up for new video email alerts* button. If you find one of our videos particularly helpful and would like to share it with a colleague, simply click the *Share with a friend* button and complete the form. Our goal is to provide quality information that will help companies succeed in every aspect of their business.

Manage Your CNB Visa Credit Cards Online Through eZCard Info



Ever wondered how much credit you have available on your CNB credit card or if a payment has been processed yet? Wonder no more. Logon to eZCard Info today and see everything immediately. This personalized online banking service allows you to monitor your business credit card balances and activity 24 hours a day, pay your bill online and more.

To access this service, simply go to www.cnbohio.com/business_banking Visa_credit_card.asp and click the link on the left-hand side of the page. This link takes you directly to the eZCard Info website where, through a few simple steps, you can create a username and password and enroll. Once enrolled these exciting features are all available at the click of a mouse:

- View account balance.
- Check available credit.
- View current and past statements.
- Make payments online.
- Download transaction history to financial software.
- Manage multiple accounts.
- Set-up recurring payments.

Additionally you may stay informed with e-mail alerts regarding notice of next payment due, when a new statement is available, and if the credit limit has been reached. Also, you may link all of your employees' accounts under one user name for easy access and to make payments on all of your accounts through one login. The site is fully encrypted and fully protected, providing that each customer's credit card information is always secure.

For detailed information on enrolling, linking accounts and making payments click the EZCard Info Enrollment and Instructions link on the business banking page of our website, http://www.cnbohio.com/business_banking_index.asp.



"I hate discovering that I'm the problem. Do you think we could discover that I'm something else?"

Estimating Capital Needs

Whether you launch a new business or take over an existing one, you will need to estimate how much capital your company will need. A business plan is helpful in planning your capital requirements.



Capital requirements depend on the sales goals you set for your business. At a lower level of sales, capital requirements are usually lower than at higher sales levels. As you increase sales, it is necessary to invest in additional fixed assets to attain the higher goals. Capital required for these investments is called investment capital.

For example, you may estimate that you need one piece of additional manufacturing equipment, at a total cost of \$75,000, for each \$250,000 in higher forecast sales. Unless you have accumulated enough in profits, you will more than likely turn to outside sources—a bank or potential investor—to raise capital. Darrell Buroker, CNB Chief Lending Officer explains, "Where most people make mistakes regarding capital is when they buy a piece of equipment that will save them on the expense side, but because they finance most or the entire cost of the equipment it negatively affects their capital ratio. You must consider what effect these expense-saving items on the profit and loss statement will have on the balance sheet." For example assume a healthy customer has \$600,000 in total assets (TA) and \$400,000 in total liabilities (TL) which equals owner equity (OE) of \$200,000 prior to purchasing a new piece of equipment. Then the customer decides he can buy a piece of equipment for \$400,000 which will save him \$50,000 after debt service is included due to increased efficiency. If he borrows the entire amount by using his other equipment for collateral, it will improve his income statement by \$50,000 per year, but his owner equity decreases from \$200,000 divided by TA of \$600,000, equaling 33% net worth, to OE of \$200,000 divided by TA of \$1,000,000 which is just 20% net worth. "From this example you can see how it is imperative to look at the balance sheet and the income statement when considering expense-saving capital projects," states Buroker.

In addition to investment capital, you may find that your business requires additional net working capital until it generates enough in cash each year. Working capital is equal to your current assets minus current liabilities. Both of these totals are shown on your company balance sheet.

Current assets are assets that are in cash or can be converted to cash within a year, including cash and investments, accounts receivable, and inventory. Current liabilities are those liabilities you expect to pay with cash over the next year. Accounts payable and deferred income taxes are current liabilities.

By dividing the total current assets by the total current liabilities, you determine your working capital ratio. "The working capital ratio is a key indicator of the liquidity of your business. As a prospective lender, we will evaluate your working capital ratio when considering your request for funds," says Buroker. "As long as your working capital ratio is in line with those of other companies in your industry group, you can breathe easier," explains Buroker.