



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**City National Bank
Charter Number 17652**

**1465 West Second Avenue
Corsicana, Texas 75110**

**Office of the Comptroller of the Currency
500 North Akard, Suite 1600
Dallas, Texas 75201**

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 **City National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 12, 1997**. 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".

City National Bank's lending performance reflects a satisfactory responsiveness to its community's credit needs. The bank's loan to deposit ratio has averaged 64% which exceeds the average of other local competitors. The loan distribution reasonably reflects penetration among geographies of all income levels, to individuals of all income levels and to businesses of all sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(NAME OF FINANCIAL INSTITUTION)</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 were received since the prior exam.		

DESCRIPTION OF THE INSTITUTION

City National Bank (CNB) is a full service bank located in a predominately residential area about four blocks from the central business district of Corsicana. The bank has no branches. The bank offers a traditional menu of products for a bank of this size, but places emphasis on residential lending. Approximately 36% of the loan portfolio is devoted to loans for either the purchase or improvement of residences. The overall financial condition of the bank is good and does not pose a hindrance to serving the needs of its community.

DESCRIPTION OF THE ASSESSMENT AREA

The bank defines its assessment area as all of Navarro county. This area includes 11 census tracts. None of these are low income tracts, one is a moderate income tracts, eight are middle income tracts and two are upper income tracts. While the assessment area does not contain any low income tracts, there were no low income areas that were arbitrarily excluded from the assessment area.

There is one other bank headquartered in Corsicana. Also in the city there are branches of three banks which are headquartered in other cities. Two of these three include branches of large, multi-branch banks. There are also four other banks with headquarters in other cities within Navarro county.

Manufacturing and distribution services companies are the largest employment sources in the county. The largest employer in the area is the K-Mart distribution center employing 600 to 650 persons. There are about 40 other manufacturing/distribution firms which employ between 10 and 400 persons each. The local medical facilities service a large area which extends beyond the boundaries of the county. Navarro County Junior College, with an enrollment of 3,000, has a positive influence on the area.

An interview was conducted with a local official of an economic development organization. His general impression was that the banks are responsive to the credit needs of the community. He also felt that the locally owned banks provided an important leadership role in the community. In his opinion, the largest financially related need is for low cost housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Performance under the CRA was evaluated utilizing criteria noted in the Small Institution Assessment table (see Page 3). Data provided by the bank and external data regarding area demographics and competition was used in the analysis. Additionally, an independent sample of various loan products was reviewed.

Loan to deposit ratio

The loan to deposit ratio is a measure of the bank's lending activity in comparison to the deposits received by the bank. The average quarter-end loan-to-deposit ratio for this bank since the last examination (performed in April 1994) is 64.4%. This ratio is consider good and indicates that the bank does a good job of utilizing its resources to meet the credit needs of the community. This ratio exceeds the performance of all but one of the six banks based in Navarro county. The average loan to deposit ratio of these six independent banks, as of December 31, 1996, is 42.9%.

Lending within the assessment area

An analysis of the geographic distribution of loans indicates that the bank is making a majority of its loans in its assessment area. A review of 49 consumer loans made during 1996 and 1997 shows the bank is making about 88% of its loans in Navarro county. The bank's internal analysis shows a similar pattern.

Lending to borrowers of different income levels and to businesses of different sizes

The geographic distribution of loans by census tract is reasonable and indicates that the bank is making loans in all census tracts in its assessment area, including the one moderate income tract. The distribution of loans is reasonably reflective of the population of the census tracts. The table below illustrates this. The data is from consumer loans made in the first four months of 1997.

DISTRIBUTION OF CONSUMER LOANS WITHIN THE ASSESSMENT AREA BY CENSUS TRACT INCOME			
Median Family Income \$28,900	% of Population in Assessment Area	# Of Consumer Approved	% of Total Consumer Loans Approved
Upper Income > 120%	41%	69	39%
Middle >=80% <=120%	53%	101	58%
Moderate >=50% <=79%	7%	5	3%
Low <50%	0%	0	0%

Also, a review of 49 consumer loans made in 1996 and 1997 shows that the bank is making loans to individuals of all income levels. The table on the following page illustrates this.

DISTRIBUTION OF A SAMPLE OF 49 CONSUMER LOANS BY APPLICANT INCOME LEVEL					
Median Family Income = \$28,900	% of Population	# of Consumer Loans Approved	% of Consumer Loans Approved	\$ Amount of Loans Approved	% of \$ Amount of Loans Approved
Upper Income > 120%	44%	9	19%	\$52,120	29
Middle >=80% <=120%	20%	10	20%	\$31,479	18
Moderate >=50% <=79%	15%	12	25%	\$36,761	20
Low <50%	22%	18	37%	\$59,948	33

A review of commercial loans indicates that the bank is making a substantial number of loans to small businesses. In a small sample of 10 commercial loans reviewed, eight loans, or 80%, were made to small businesses. Small businesses are defined as businesses with annual sales of less than \$1 million.

Overall the above information reflects a reasonable penetration of lending among individuals of different income levels and to businesses of different sizes.

REVIEW OF COMPLAINTS & FAIR LENDING EVALUATION

There were no CRA complaints received since the previous CRA examination. There were no violations of the Fair Housing Act or the Equal Credit Opportunity Act disclosed in the most recent consumer compliance examination.