



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 15, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

City National Bank  
Charter Number 17652

1465 West Second Avenue  
Corsicana, TX 75110

Office of the Comptroller of the Currency

Dallas Field Office  
225 E. John Carpenter Freeway, Suite 500  
Irving, TX 75062-2326

**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.**

City National Bank's lending performance reflects a satisfactory response to credit needs in its assessment area. Factors that support the overall rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans were made to borrowers located in the AA.
- The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

**SCOPE OF EXAMINATION**

City National Bank (CNB) was evaluated under the Small Bank Community Reinvestment Act examination procedures that include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The scope of this CRA examination covers the period from the previous CRA examination, July 9, 2007, to the start date of this examination, October 15, 2012. The AA served by the bank is Navarro County, which is a non-Metropolitan Statistical Area (MSA). CNB has one branch located at 1465 West Second Avenue, Corsicana, Texas. CNB's primary loan product is one to four family residential loans and its secondary product is commercial loans. The AA does not include an MSA; therefore, the bank is not required to file data required by the Home Mortgage Disclosure Act (HMDA).

To assess lending performance, we used information provided by the United States Census Bureau conducted as of the year 2000. We used updated information about the assessment area when available.

To evaluate CNB's lending performance in the AA, we selected a sample of twenty (20) one to four family residential loans and twenty (20) commercial loans originated in the AA since August 2007.

To evaluate reasonableness of the bank's loan-to-deposit ratio, we used a comparison of four similarly situated banks over the prior twenty-one (21) quarters (since the prior CRA examination). These banks were selected based on their proximity and similar size to CNB.

## DESCRIPTION OF INSTITUTION

City National Bank (CNB) is located in Navarro County, Corsicana, Texas. CNB is wholly owned by City Bancshares, Inc., a one-bank holding company. CNB has a full service bank located in an area surrounded by commercial and residential owner and non-owner occupied properties. The bank is approximately eight blocks from the central business district of Corsicana. CNB offers a full range of loan products and deposit services, with the majority of its lending in residential real estate properties. ATM services are available at the main office and 3801 South Highway 287 Corsicana, TX. As of June 30, 2012, total assets were \$41.8 million, total loans were \$23.8 million, and total deposits were \$37.1 million.

Primary competitors are small community banks, credit unions, and branches of large national banks. A summary of the loan portfolio is as follows:

Loan Portfolio Summary by Loan Product June 30, 2012		
Loan Category	Dollar Volume \$(000)	% of Total Loans
Residential (owner occupied)	15,757	66.1%
Commercial	5,157	21.6%
Consumer	2,573	10.8%
Farm and Agriculture	361	1.5%
Other	0	0.0%
<b>Total</b>	<b>23,848</b>	<b>100.0%</b>

*Source: June 30, 2012, Uniform Bank Performance Report (Balance Sheet)*

CNB was rated **Satisfactory** in its last CRA Performance Evaluation, dated July 9, 2007. There are no financial or legal obstacles hindering CNB's ability to meet the credit needs of the AA. CNB is not required to report HMDA data due to its size and not being located in a Metropolitan Statistical Area.

## DESCRIPTION OF ASSESSMENT AREA

CNB defines the AA as all ten (10) census tracts making up Navarro County. All tracts in the AA are defined as middle-income according to data obtained from the 2000 United States Census Bureau. The AA meets the requirements of the CRA by including whole geographies and not arbitrarily excluding any low- or moderate-income tracts. CNB's lending strategy is to extend credit within the community and participate and offer products designed to meet the needs of the community and its members, including those in low- and moderate-income areas. Many of CNB's employees and directors live in the AA and understand the area's credit needs.

The population of the AA is approximately 45,000 according to the 2000 census data. Local economic conditions are relatively stable. Major employers include Corsicana Independent School District, Russell Stover Candies, Navarro Regional Hospital,

Navarro College, and Guardian Industries. We made a community contact with an official of the Navarro County Chamber of Commerce (Chamber). The Chambers' purpose is to be a community liaison for Navarro County and to function as a conduit promoting the activities of its' members. According to the Chamber representative we interviewed, CNB is heavily involved in community development, lending, and donating financial resources for various causes.

The following table depicts the demographics of the AA:

<b>Demographic Information for Navarro County</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
Geographies (Census Tracts)	10	0%	0%	100%	0%
Population by Geography	45,124	0%	0%	100%	0%
Owner Occupied Housing Units by Geography	11,661	0%	0%	100%	0%
Businesses by Geography	4,511	0%	0%	100%	0%
Farms by Geography	243	0%	0%	100%	0%
Family Distribution by Income Level	12,045	21.3%	16.4%	19.3%	43.0%
Household Distribution by Income Level	16,531	25.4%	15.5%	16.3%	42.8%
<b>Income and Housing Data</b>					
Census Median Family Income (MFI)		\$38,000	Median Housing Value	\$55,125	
HUD – Adjusted MFI: 2011		\$48,600	Households Below the Poverty Level	17.8%	
HUD – Adjusted MFI: 2010		\$46,500	Unemployment Rate	7.8%	
HUD – Adjusted MFI: 2009		\$45,600			
HUD - Adjusted MFI 2008		\$43,600			

*\*Source: 2011 Business Geographic Data; 2000 US Census Data*

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

CNB shows satisfactory performance in meeting the credit needs of its AA. We focused our review on the primary lending products originated since the previous CRA examination. The objective of our review was to determine the extent of lending within the AA; the distribution of loans by borrowers of different income levels; distribution of loans based upon business size; and the geographic distribution of loans within the AA. The primary loan product for the assessment area is residential loans and a secondary product is commercial loans. We reviewed twenty (20) one to four residential loans and (20) commercial loans. All loans were originated since August 2007.

### **Loan-to-Deposit Ratio**

CNBs' loan-to-deposit (LTD) ratio is reasonable given the size, financial condition, and AA credit needs. The quarterly average LTD ratio is 62.1 percent, which is calculated as the average for the twenty one (21) quarters since the last CRA examination. This ratio reasonably compares with other financial institutions of similar size, location, and product offerings.

A summary of banks used in the LTD analysis is detailed below:

Institution	Assets as of 6/30/12 (\$000s)	Average LTD Ratio as of 6/30/12
Community National Bank & Trust of Texas, Corsicana, TX	\$358,381	72.6%
Powell State Bank, Powell, TX	\$27,269	64.5%
<b>City National Bank, Corsicana, TX</b>	<b>\$41,754</b>	<b>62.1%</b>
The First State Bank, Rice, TX	\$121,844	57.7%
First Bank & Trust Company, Dawson, TX	\$38,253	46.8%

Source: Call Report Data

The quarterly average loan-to-deposit ratio is satisfactory in comparison to the other banks in the analysis. The average LTD ratio for the other four banks over the same period is 60.4 percent.

### Lending in Assessment Area

CNB’s lending pattern in the AA meets the standards for satisfactory performance. A substantial majority of the number and dollar volume of loans originated to borrowers residing within the AA. We reviewed a sample of twenty (20) residential real estate loans and (20) commercial loans. The substantial majority of loans by number and dollar volume, 95 percent and 95.3 percent, respectively, were originated in the AA. The table below reflects the distribution of loans originated in and out of the AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	18	90	2	10	20	1,170	93.5	119	6.5	1,289
Commercial	20	100	0	0	20	1,256	100	0	0	1,256
Totals	38	95	2	8.3	40	2,426	95.3	119	4.7	2,545

Source: Loan Sample

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

The distribution of loans to borrowers of different income levels reflects reasonable penetration, given the demographics of the AA. The sample of twenty (20) residential real estate loans and twenty (20) commercial loans was reviewed in the assessment of lending to borrowers of different income levels.

The following tables show the distribution of residential real estate loans.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Navarro County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family	21.3	0	16.1	20	19.4	20	43.2	60

*Source: Loan Sample, CRA Wiz Data; 2000 US Census Data*

The distribution of home loans made within Navarro County indicates reasonable penetration among borrowers of different incomes. Of the 20 residential loans sampled, the percentage of loans to moderate-income borrowers totaled 20 percent, which compares favorably to the percentage of moderate-income families. None of the residential loans sampled penetrated low-income borrowers. This is reasonable given down payment and income requirements to purchase a home in the AA that has an average price of \$55,125. Additionally, the demographic data indicates 18 percent of the households are below the poverty level.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Navarro County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.5%	1.8%	27.7%	100%
% of Loans in AA by #	65.0%	35.0%	0.0%	100%
% of Loans in AA by \$	54.3%	45.7%	0.0%	100%

*Source: CRA Wiz and Loan Sample*

The distribution of commercial loans originated within the AA indicates satisfactory performance in loans to businesses of different sizes. Demographic data from the 2000 census for businesses in the AA indicates a substantial majority (70.5%) are small businesses. The census data also showed a large percentage (27.7%) of businesses not providing income information. We sampled 20 loans originated in the AA since August 2007. Thirteen (13) loans (65%) of the sample, were made to businesses with revenues less than \$1 million and seven (7) (35%) were made to businesses with revenues over \$1 million. The dollar amount of loans to small businesses showed similarly satisfactory results.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of lending to low- and moderate-income census tracts would not provide meaningful analysis since all ten census tracts in the AA are middle-income.

### **Responses to Complaints**

There were no consumer complaints pertaining to CNB, 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.