



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**August 16, 2004**

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

**City National Bank  
Charter Number 16910**

**1006 Stone Road  
Kilgore, TX 75662**

**Comptroller of the Currency  
Longview (NE Texas & NW Louisiana)  
1800 West Loop 281, Suite 306  
Longview, TX 75604**

**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 of Kilgore has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is satisfactory based on its size and complexity.
- A majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area given the demographic profile of the assessment area.

## **DESCRIPTION OF INSTITUTION**

City National Bank (CNB) is a \$144 million bank, which is wholly owned by Century Capital Financial of Delaware, a one bank holding company. CNB is located at 1006 Stone Road, Kilgore, Texas with three full service branches located in Longview and Gladewater, Texas. As of June 30, 2004, loans totaled \$82 million and represented 58% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	24,996	30.41
Commercial Loans	23,369	28.43
Residential Real Estate Loans	17,448	21.22
Consumer Loans	16,390	19.94
<b>Total</b>	<b>82,203</b>	<b>100.00%</b>

There are no legal impediments or other factors which inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated June 14, 1999.

## **DESCRIPTION OF ASSESSMENT AREA**

The Board has designated specific census tracts and block numbering areas (BNAs) within Gregg, Rusk, Upshur and Smith Counties as their assessment area. These census tracts and BNAs make up a contiguous assessment area that includes parts of the Longview and Tyler Metropolitan Statistical Areas. The assessment area includes 31 tracts in Gregg County, three tracts in Upshur County and one each in Rusk and Smith Counties. These tracts include three low-income census tracts, six moderate-income tracts, twelve middle-income census tracts, eight

upper tracts, and seven with no income designation. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. The following table provides a description of the bank's assessment area based on 1990 census data and 2002 Department of Housing and Urban Development (HUD) information.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	33,304
Number of Households	46,109
<i>Geographies</i>	
Number of Census Tracts/BNA	36
% Low-Income Census Tracts/BNA	8%
% Moderate-Income Census Tracts/BNA	17%
% Middle-Income Census Tracts/BNA	33%
% Upper-Income Census Tracts/BNA	22%
% Not Applicable	19%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$28,581
2000 HUD-Adjusted MFI	\$41,519
<i>Economic Indicators</i>	
Unemployment Rate	4%
2002 Median Housing Value	\$52,699
% of Households Below Poverty Level	16%

These census tracts have a total population of 122,238 based on 1990 census data. The distribution of families by income level, regardless of census tract location, consists of the following: 20.0% are low income, 15.8% are moderate income, 20.2% are middle income, and 44.0% are upper income. Major employers in the assessment area include Texas Eastman Company, Good Shepherd Medical Center and LeTourneau, Inc., and small retail service providers. Competition is strong with numerous banks, bank branches, and credit unions in the surrounding area. The local economy is considered stable with an unemployment rate of 4%.

We contacted a local business organization that revealed the primary community credit needs for the assessment area are residential loans. Our contact also stated the cost of housing and the availability of affordable lots for construction was barriers to residential purchases in South Longview.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio of CNB is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 69.94% since the prior CRA examination in June 1999. The average loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period, was 72.40%.

Institution	Assets (000s) (as of 6/30/03)	Average LTD Ratio
City National Bank, Kilgore	147,000	69.94
Citizens Bank, Kilgore	207,000	48.76
Spring Hill State Bank, Longview	96,000	92.32
White Oak State Bank, Longview	43,000	74.12
Gladewater National Bank	26,000	76.06
Kilgore National Bank, Kilgore	32,000	58.53
Texas Bank and Trust, Longview	572,000	83.73

### Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 45 residential purchase loans, 30 commercial loans, and 45 consumer loans which originated since June 1999. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential	31	68.89	2,991	67.68	14	31.11	1,428	32.32
Commercial	27	90.00	2,699	71.97	3	10.00	1,051	28.03
Consumer	34	75.56	392	64.05	11	24.44	220	35.95
Total Reviewed	92	76.67	6,082	69.26	28	23.33	2,699	30.74

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

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. The distribution of home purchase loans generally approximates the income characteristics of the assessment area. While home purchase loans to low-income families are at a low level compared to the demographics of the assessment area, loans to moderate income-families are near the level of moderate-income families. Additionally, consumer loans are near the percentage of low-income households and exceed the percentage of moderate-income households. Borrowing for home purchases by low-

income individuals is limited as approximately 16% of the households in this assessment area are below poverty level. The availability of affordable housing is also considered a barrier to low-income borrowers.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20.0		15.8		20.2		44.0	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00	0.00	12.9	9.83	25.8	17.2	61.3	73.0

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24.2		13.9		17.1		44.9	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	23.5	6.1	17.7	8.5	14.7	18.4	44.1	67.0

The distribution of business loans reflects a reasonable penetration among businesses of different sizes. Based on U.S. Census information, there are 10,195 businesses in the assessment area; however, revenue information was not reported for approximately 20% of the businesses. As a result, the percentage of businesses by income level may not accurately reflect a true percentage of the businesses in each income category. Our sample of commercial loans inside the assessment area revealed a majority of the bank's commercial loans were to businesses with revenues less than \$1 million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	74.59	5.03
% of Bank Loans in AA #	66.67	33.33
% of Bank Loans in AA \$	69.05	30.95

### Geographic Distribution of Loans

The distribution of loans reflects an adequate penetration throughout the assessment area given the demographics of the assessment area. While the distribution of all loan types is low in the low and moderate-income tracts, when compared to the demographics of the assessment area, the low and moderate-income tracts are located in South Longview and are not easily accessible to any of the bank's branches. This area is served by larger banks, which are more conveniently located in the central and south Longview area. CNB's Longview branches are located in the

northeast and northwest areas of town and comprise a small percentage of the bank's total loans and deposits. While the percentages of lending in the low and moderate tracts are low, the bank participates in lending programs to provide financial assistance in these areas. During this evaluation period, the bank also hosted credit seminars and contacted community organizations in an effort to reach low and moderate-income areas and individuals.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0.1		15.4		49.8		34.6	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	3.2	2.7	48.4	42.9	48.4	54.4

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0.5		17.0		49.3		33.2	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.1	0.1	3.1	2.7	63.8	59.1	33.0	38.1

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	5.5		20.2		44.7		29.6	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	7.4	2.3	74.1	90.0	18.5	7.7

### Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination dated June 14, 1999.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.