



SMALL BANK

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

PUBLIC DISCLOSURE

July 9, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**City National Bank
Charter Number 17652**

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

**Comptroller of the Currency
Dallas Field Office
17300 Dallas Parkway, Suite 2020
Dallas, TX 75248**

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 (CNB) has a satisfactory record of meeting the credit needs of its assessment area. The following support this rating:

- A substantial majority of the loans originated are within the bank's assessment area. Seventy-three percent, of the number of loans, we sampled and 75% of the dollar volume, which included residential real estate and consumer loans, was inside the assessment area.
- The average loan-to-deposit ratio of 66.47% is reasonable given CNB's size, financial condition and meets the standards for satisfactory performance.
- The distribution of residential real estate and consumer loans made to moderate-income borrowers exceed the percentage of assessment area moderate-income families and households.

DESCRIPTION OF INSTITUTION

CNB is located in Navarro County, Corsicana, Texas. CNB is a full service bank located in a predominately residential area approximately four blocks from the central business district of Corsicana. The bank offers a full range of loan products and deposit services, with a lending emphasis on residential real estate. While there are no branches, ATM services are available at four locations in Corsicana. As of March 31, 2007, total assets were \$42 million with total loans being \$23 million and total deposits \$37 million. The loan mix is reflected in the following table:

Loan Category	\$ (000)	%
Residential Real Estate Loans	8,791	37.89%
Commercial Real Estate Loans	3,964	17.09%
Consumer Loans	3,915	16.88%
Commercial Loans	3,819	16.46%
Ag Loan & loans secured by Farmland	1,630	7.03%
Construction/Development	1,050	4.53%
Other Loans	31	0.13%
Total	23,200	100.00%

CNB was rated *Satisfactory* on its last CRA Performance Evaluation, dated November 18, 2002. The bank has no financial or legal obstacles hindering its ability to meet its community's credit needs. CNB was not required to maintain and report Home Mortgage Disclosure Act data due to its size and it is not located in a Metropolitan Statistical Area.

DESCRIPTION OF CITY NATIONAL BANK'S ASSESSMENT AREA

CNB'S assessment area (AA) is defined as the ten census tracts that make up Navarro County. All ten of the census tracts are designated as middle-income. There are no low-, moderate-, or upper- income geographies. The AA meets the requirements of the CRA regulation by including whole geographies and does not arbitrarily exclude any low-or moderate-income areas. The population of Navarro County is approximately 45,124 and the economic conditions are stable. The major employers include Russell Stover's Candies, Corsicana Independent School District, Kohl's Distribution Center, Collin Street Bakery, and Guardian Industries. Our community contact was with Habitat for Humanities of Navarro County. The organization provides affordable housing to Navarro County residents that are in the median income level. According to the Habitat representative we interview, CNB is very involved in their activities including donating financial resources and funding at least one loan. The following table depicts the demographics of the AA:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	<i>Census Year: 2000</i>
Number of Families	12,045
Number of Households	16,531
<i>Geographies</i>	
Number of Census Tracts	10
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	0
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	38,000
2005 HUD Adjusted MFI	42,000
2006 HUD Adjusted MFI	43,100
<i>Economic Indicators</i>	
Unemployment Rate	3.45%
2000 Median Housing Value	\$55,125
% of Households Below Poverty Level	17.77%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Institution	Assets (as of 03/31/2007)	Average LTD Ratio
Corsicana National Bank & Trust	\$194,386	69.66%
City National Bank	\$41,633	66.47%
First Bank & Trust	\$26,544	66.00%
Powell State Bank	\$23,833	61.57%
First State Bank of Rice	\$11,061	41.76%

CNB’s loan to deposit ratio (LTD) is reasonable given its size, financial condition, and AA credit needs and meets the standards for satisfactory performance. The table above shows that the 21-quarter average LTD compares favorably with the other five similarly financial institutions located within Navarro County.

Lending in Assessment Area

CNB’s lending patterns exceed the standards for satisfactory performance for lending within its assessment area. A substantial majority of the number and dollar volume of loans are extended to borrowers residing within the AA. We reviewed a sample of twenty residential real estate loans, and twenty consumer loans. The table below reflects the distribution of these loans.

TOTAL LOANS REVIEWED (01/01/2003 – 03/31/2007)								
LOAN TYPE	IN AA				OUT OF AA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential R/E	16	80	1,226	76	4	20	391	24
Consumer	13	65	323	72	7	35	124	28
Total Reviewed	29	73	1,549	75	11	27	515	25

Lending to Borrowers of Different Incomes

The distribution of loans to borrowers of different income levels reflects a reasonable penetration, given the demographics of the assessment area. We selected a sample of twenty residential real estate loans and twenty consumer loans to assess lending to borrowers of different income levels. We did not sample small business loans because the volumes of these loan types were too low. The following tables show the distribution of the loans.

RESIDENTIAL REAL ESTATE (2003-2006)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	21.33		16.15		19.44		43.09	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1-4 Family	5	3.54	25	11.31	20	19.79	50	65.35

The penetration of residential real estate loans to moderate-, middle-, and upper-income borrowers exceed the percentage of AA families in the same income category. However, the penetration of loans to low-income borrowers is significantly below the number of AA low-income families. This is attributed, in part, to the fact that almost 33% of the AA population is on some type of low fixed income such as social security or public assistance and is less likely to have the relatively significant downpayment and closing costs usually required for conventional home purchases. CNB does not offer affordable home loan products.

CONSUMER (2003-2006)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	25.42		15.45		16.34		42.79	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer	0	0	20	21.76	35	32.02	45	46.84

The penetration of consumer loans to moderate-, middle-, and upper-income borrowers exceed the percentage of AA households at those income levels. However, none of the loans in our sample penetrated low-income borrowers. Our limited sample may not be an accurate depiction of the bank's consumer lending patterns. This statement is supported by the fact that the bank does not have a minimum loan amount. We identified a number of loan originations in amounts of \$1 thousand and less. Additionally CNB offers a loan product specifically targeting low- and moderate-income borrowers that provides assistance with credit repair and credit reestablishment.

Geographic Distribution of Loans

An analysis of the geographic distribution of CNB's lending patterns would not be meaningful since all ten of the AA census tracts are middle-income.

Response to Complaints

Neither the bank nor the OCC received any CRA related complaints since the previous CRA evaluation.

Fair Lending Evaluation

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.