



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**January 29, 2007**

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

**The City National Bank of Colorado City  
Charter Number 5276**

**228 Elm  
Colorado City, TX 79512**

**Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289 Suite 108  
Lubbock, TX 79424**

**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.**

The City National Bank of Colorado City (CNB) has a satisfactory record of meeting community credit needs. The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics in or near the assessment area. The loan-to-value ratio averaged 40.2 percent during the evaluation period.
- A substantial majority of CNB's loans were originated within the bank's assessment area. Based on a sample of sixty loans, 90.0 percent of the number of loans and 96.6 percent of the dollar volume of loans were to borrowers within the assessment area.
- CNB has an excellent penetration of loans to farms of different sizes, and individuals of different income (including low- and moderate-income) levels.
- The geographic distribution of loans within the assessment area is reasonable given CNB's business strategy and location.
- CNB has not received any consumer complaints regarding its Community Reinvestment Act (CRA) performance.

## **DESCRIPTION OF INSTITUTION**

The City National Bank (CNB) of Colorado City is a community bank located in Colorado City, Texas, approximately 60 miles west of Abilene. CNB is an intra-state bank with one banking office and drive-up facility. The bank also maintains three automated teller machines (ATMs) in Colorado City. The bank is wholly owned by TM&S Bancshares, which is owned by City National Bancshares Inc. (CNBI). CNBI reported total assets of \$55 million as of September 30, 2006.

The bank offers a full range of commercial and consumer banking products and related financial products. The bank provides access to banking services through its website at [www.cnbccity.com](http://www.cnbccity.com). Services include account balance inquiries, funds transfer activities, and bill pay services.

As of September 30, 2006, CNB had total assets of \$55 million, with net loans and leases comprising 32.5 percent of this total. The bank's primary loan products include agricultural, consumer, residential real estate, and commercial loans. The following table depicts CNB's loan portfolio composition.

<b>Loan Portfolio Composition as of September 30, 2006</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate (1-4 Family)	4,912	27.13%
Agricultural	4,239	23.42%
Consumer	4,237	23.41%
Commercial & Industrial	3,895	21.52%
Obligations of State & Political Subs.	451	2.49%
Non-Farm Non-Residential Real Estate	332	1.83%
Other Revolving Credit Plans	27	0.15%
Other Loans	9	0.05%
<b>TOTAL</b>	<b>18,102</b>	<b>100.00%</b>

Source: September 30, 2006 Report of Condition

Management and the Board's primary focus are to serve the agricultural, commercial, and consumer customers in Mitchell County. The bank meets customer's needs by providing traditional loan and deposit products. Bank lobby and drive-through services are provided Monday through Friday with drive-through services also provided on Saturday. Based on CNB's financial condition, local economy, product offerings, and competition, the bank has the ability to meet the various credit needs in its community. CNB was rated "Satisfactory" at the previous CRA examination on January 7, 2002. CNB has no legal or financial circumstances that could impede the bank's ability to help meet the credit needs in its assessment area. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

## **DESCRIPTION OF MITCHELL COUNTY**

CNB has designated Mitchell County as its assessment area (AA). Colorado City is the county seat and is situated in the center of Mitchell County. Other principal cities located within the AA include Loraine and Westbrook. According to 2000 Census Data, Colorado City is the largest of the three cities, with a population of 4,281. Specific demographic data and economic data for Mitchell County are listed below.

<b>Demographic and Economic Characteristics of Mitchell County AA</b>	
<i>Population</i>	
Number of Families	2,010
Number of Households	2,832
<i>Geographies</i>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	33.33%
% Middle-Income Census Tracts/BNA	66.67%
% Upper-Income Census Tracts/BNA	0.00
<i>Median Family Income (MFI)</i>	
2006 MFI for AA	36,380
2006 HUD-Adjusted MFI	43,100
2004 & 2005 HUD-Adjusted MFI	42,000
<i>Economic Indicators</i>	
Unemployment Rate	1.20%
2006 Median Housing Value	\$33,463
% of Households Below Poverty Level	20.52%

Source: 2000 Census data and HUD updated income data.

The AA consists of only whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA is comprised of three census tracts consisting of two middle- and one moderate-income tract. The 2000 Census data reflects that 20.5 percent of the households in Mitchell County are below the poverty level. Federal agencies have designated both middle-income census tracts as distressed areas due to the high poverty level.

According to 2000 Census data, the AA has a total population of 9,968. There are 4,168 housing units in the AA, of which 52.0 percent are owner-occupied, 16.0 percent are renter-occupied, and 32.0 percent vacant. Approximately 25.1 percent of families in the AA are considered low-income. Moderate-income families approximate 21.9 percent, while middle- and upper- income families make up the remaining 54.0 percent. The median housing value is \$33,463, with the median age of housing stock at 45 years.

In 2006, Colorado City was designated a Main Street City by the Texas Historical Commission (THC). The purpose of this designation is to encourage economic development by restoring and revitalizing downtown areas. To achieve this designation, cities must have historic commercial buildings in their downtowns and neighborhood business districts and apply to the THC. Approximately five cities are chosen annually for this designation.

There are several financial institutions in the AA. In addition to CNB, there is one national bank, one branch of a state bank, and one credit union. An office of the Farm Services Agency is also located in Colorado City. The June 30, 2006 FDIC Deposit Market Share Report for Mitchell County shows CNB to have the largest deposit market share with over 54.4 percent.

The economy is somewhat diversified due to the number of agricultural and small business operations in the AA. Primary Employers of Mitchell County include; Colorado City ISD, the Department of Criminal Justice, JR Fuller Foods, Inc., and the Mitchell County Hospital. Business demographic data suggests that the local economy is centered in service jobs, retail trade, agriculture, and transportation and communication.

As part of this CRA examination, two community contacts were made in the bank's AA to help ascertain the credit needs of the AA. According to the contacts, the immediate credit needs of the community are being fulfilled. The contacts stated that the local banks were responsive in meeting the needs of the local community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

This Performance Evaluation (PE) assesses CNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate CNB's lending performance, a random sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 30 consumer loans and 30 farm loans. Based on the analysis and consistent with available resources and capabilities, CNB is meeting the credit needs of the AA in a satisfactory manner.

**Loan-to-Deposit Ratio**

CNB’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs. This determination is based on the bank’s quarterly average loan-to-deposit ratio from March 31, 2002 through September 30, 2006 of 40.2 percent. During the evaluation period, CNB’s loan-to-deposit ratio ranged from a low of 34.2 percent to a high of 44.5 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the AA for the same period was 50.1 percent. Although CNB’s loan-to-deposit ratio is lower than similarly situated banks, the average loan-to-deposit ratio has increased significantly from 27.8 percent at the prior CRA performance evaluation period.

The quarterly average loan-to-deposit ratio for each similarly situated bank in or contiguous to the AA is depicted below. Please note that these banks are listed alphabetically by city and that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$ (000's) (As of 9/30/06)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>The City National Bank of Colorado City</b>	<b>54,706</b>	<b>40.20%</b>
First National Bank of Colorado City	31,638	50.95%
The Roscoe State Bank	81,852	56.96%
Texas National Bank - Sweetwater	68,146	51.53%
West Texas State Bank - Snyder	95,281	40.92%

Source: Institution Reports of Condition from March 2002 to September 2006

**Lending in Assessment Area**

CNB’s lending in their AA exceeds the standards for satisfactory performance. A substantial majority of the bank’s loans were made within its AA. In order to assess performance for this criterion, we reviewed 30 farm and 30 consumer loans originated between January 2004 and January 2007. Our analysis determined that 90.0 percent of the number of loans and 96.6 percent of the dollar amount of loans in the sample were originated within the bank’s AA. The breakdown by loan category is depicted in the following table.

<b>Lending in the Assessment Area</b>								
	<b>IN ASSESSMENT AREA</b>				<b>OUT OF ASSESSMENT AREA</b>			
<b>LOAN TYPE</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Farm	26	86.7	1,106	96.0	4	13.3	47	4.0
Consumer	28	93.3	347	98.8	2	6.7	4	1.2
Total Reviewed	54	90.0	1,453	96.6	6	10.0	51	3.4

Source: Sample of loans used for CRA performance analysis

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

CNB’s loan portfolio reflects an excellent distribution among individuals of various income levels (including low- and moderate-income) and farms of different sizes within their AA. To perform our analysis, we reviewed income information of 26 farm and 28 consumer-purpose loans in the AA.

*FarmLoans* - Based on 2006 Business Demographic Data, there are 54 farms within the AA. Of this number, 96.2 percent of farms reported revenues less than or equal to \$1 million. Of the loans in the farm sample, 96.2 percent were to farms reporting annual revenues below \$1 million. This level is reflective of the AA information and reflects an excellent penetration of agricultural loans to small farms. The following table reflects the results of our selected sample of farm loans originated in the AA.

<b>Borrower Distribution of Farm Loans in Mitchell County</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farm	96.2%	1.9%	1.9%	100%
% of Bank Loans in AA by #	96.2%	3.8%	0.0%	100%
% of Bank Loans in AA by \$	95.5%	4.5%	0.0%	100%

Source: Loan sample; Dun and Bradstreet data

*Consumer Loans* - Our analysis reflects an excellent penetration of consumer loans to low- and moderate-income households in the AA. Based on 2000 Census Data, 48.5 percent of households in the AA are low- and moderate income. Our review determined that 64.3 percent of consumer loans were made to low- and moderate-income households. The distribution of consumer loans exceeds the income characteristics of the AA for low- and moderate-income households. The following table reflects the results of our selected sample of consumer loans originated in the AA.

<b>Borrower Distribution of Consumer Loans in Mitchell County</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	28.8%		19.7%		19.3%		32.2%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	32.2%	24.3%	32.1%	41.0%	10.7%	12.0%	25.0%	22.7%

Source: Loan sample; 2000 U.S. Census data.

### **Geographic Distribution of Loans**

The geographic distribution of loans within the census tracts is reasonable given the bank's business strategy and location. Our analysis included 26 farm and 28 consumer loans originated between January 2004 and January 2007.

*Farm loans:* Geographic distribution of farm loans in the moderate-income census tract exceeds the demographic composition of this AA. Based on 2006 Business Demographic Data, 16.7 percent of farms were located in the moderate-income census tract. Our review determined that 38.5 percent of farm loans by number were located in the moderate-income census tract. The following table reflects the results of farm loans originated in the AA.

Geographic Distribution of Farm Loans in Mitchell County								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0.0%		16.7%		83.3%		0.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0%	0.0%	38.5%	39.2%	61.5%	60.8%	0.0%	0.0%

Source: Loan sample; Dun and Bradstreet data

Consumer Loans: Geographic distribution of loans to consumers in the AA is reasonable. Based on 2000 Census information, 15.8 percent of households were located in the moderate-income census tract. Our review determined that 7.1 percent consumer loans were located in the moderate-income census tract. This performance is reasonable as the moderate income tract is rural and located in the eastern portion of the AA. The following table reflects the results of our selected sample of consumer loans originated in the AA.

Geographic Distribution of Consumer Loans in Mitchell County								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0.0%		15.8%		84.2%		0.0%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0.0%	0.0%	7.1%	0.3%	92.9%	99.7%	0.0%	0.0%

Source: Loan sample; 2000 U.S. Census data.

### Responses to Complaints

No complaints relating to CRA performance have been received by CNB during the evaluation period. CNB has systems in place to ensure that complaints are addressed in a timely manner.

### 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.