

PUBLIC DISCLOSURE

November 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**City National Bank
Charter Number: 23198**

**401 Congress Avenue
Austin, Texas 78701**

**Office of the Comptroller of the Currency
Southwestern District
8310 Capital of Texas Highway North, Suite 250
Austin, Texas 78731-1080**

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 (LMI) neighborhoods, consistent with the 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 CRA performance of *City National Bank (CNB), Austin, Texas*, prepared by the *Office of the Comptroller of the Currency (OCC)*, the institution's supervisory agency, as of November 19, 1999. 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 **A Satisfactory.**^e

CNB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area. CNB is a newly chartered bank which opened for business in May 1998. This report represents CNB's first CRA assessment.

- C The loan-to-deposit ratio (LTD) is satisfactory and averaged 65% (last five quarters) since opening in May 1998.
- C A substantial majority of CNB's loans are within its assessment area.
- C The distribution of loans to individuals of varying incomes and to businesses of different sizes reflects a reasonable penetration.
- C The geographic distribution of loans within the bank's assessment area reflects a reasonable dispersion; given the short period of time since opening, market focus, and location of the bank.
- C There have been no complaints with respect to CNB's CRA performance.

DESCRIPTION OF INSTITUTION

CNB is a 22 million (MM) independent community bank located in Austin, Texas and is a subsidiary of WNB Bancshares, Inc. which has total assets of 240MM. CNB is a newly chartered bank that opened in May 1998. CNB has no branches and one bank affiliate, Western National Bank (Western), located in Odessa, Texas. A drive-through facility and automatic teller machine (ATM) are provided at the one location.

CNB has total loans of 14MM or 63% of total assets. Its primary focus is to promote small business development in its assessment area through its lending programs and community involvement. CNB provides general loan and deposit products including small business, commercial and residential real estate, consumer, and agricultural loans. Accessibility has been cited as a problem as the bank's only location is in downtown Austin where parking is limited. CNB has established an Internet web site and intends to begin providing Internet banking services in the near future.

The following reflects a detailed breakdown of CNB's loan portfolio as of September 30, 1999.

Loan Type	Dollar Amount (000's)	% of Total
Commercial and Industrial	\$ 6,328	45.1%
Commercial Real Estate	\$ 3,820	27.2%
Construction and Land Development	\$ 1,354	9.7%
Residential Real Estate	\$ 1,038	7.4%
Consumer	\$ 762	5.4%
Agricultural Real Estate	\$ 719	5.1%
Other	\$ 1	0.1%
Total	\$ 14,022	100%

Complete banking services are provided Monday through Friday. CNB faces strong competition from several large regional and multinational banks, other community banks, mortgage companies, credit unions, and finance companies. Based on its financial condition, the local economy, product offerings, and competition, CNB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder the bank's ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

CNB has designated 119 census tracts included in the city of Austin as its assessment area. The census tracts are located in Travis County, which is part of the Austin/San Marcos Metropolitan Statistical Area (MSA). Based on 1990 census data, total population for the assessment area is 493M. This census data indicates that there are 12 low-income (10.1%), 39 moderate-income (32.8%), 35 middle-income (29.4%), and 33 upper-income (27.7%) census tracts in the assessment area. Approximately 22% of the families in the assessment area are considered low-income. Moderate-income families approximate 17% of the population, while middle- and upper-income families comprise 21% and 40%, respectively. Housing data indicates that 88% of available housing units are occupied, 38% by the owner and 50% by renters. The 1990 census demographic data indicates that 86% of the assessment area population are wage/salary earners. This data also indicates that 14% of the households in the assessment draw social security benefits, 4% draw public assistance, and 16% are below the poverty level.

CNB is located in an upper-income census tract. This tract is located in the downtown area, just south of the state capital building on Congress Avenue and is surrounded by LMI census tracts.

The local economy is considered very good. Major employment components in the assessment area include city, county, and state government, services, retail trade, manufacturing, research, development, and high technology. Major commercial employers include the University of Texas, Dell Computers, the City of Austin, Motorola, the Austin Independent School District, and IBM. Updated 1999 income data for the area reflects a median family income of 55M.

CNB's assessment area meets the requirement of the regulation and does not arbitrarily exclude LMI geographies.

Community Contacts

In order to gather more current information on the nature of the community and potential lending opportunities in the assessment area, we contacted one area organization whose emphasis was on small business lending. The contact indicated there is good participation from several area banks, but that much more participation from all banks in the area was needed. The contact did not mention a need for additional products, just the need for more participation. The contact also mentioned that affordable housing and home improvement loans are also needed in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

CNB's LTD ratio is satisfactory, given its asset size, financial condition, and lending opportunities in the assessment area. Since opening for business in May 1998, CNB's LTD ratio has increased steadily and is now at 78% as of September 30, 1999. This level of lending is in line with other area community banks whose average LTD ratio for the same period is 72%, and with a national peer average LTD ratio of 77%.

Initial loan volume was generated through participations purchased from its affiliate, Western. The vast majority of loan volume, since that time, has been generated locally.

Lending in the Assessment Area

A majority of CNB's loans are within its assessment area. Based on a report detailing loan activity from May 1998 through November 1999, that was provided by bank management, 80% of the number and 72% of the dollar volume of loans originated were within the bank's assessment area. Our review of a sample of commercial, consumer, and residential loans supported these figures.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The loan portfolio reflects a reasonable distribution of personal and business loans among individuals of various income levels and businesses of different sizes. In order to assess CNB's performance in this criteria, we sampled consumer, residential real estate, and commercial loans originated since CNB opened in May 1998. Our analysis indicates that CNB lends to all applicants, regardless of their income category.

Consumer loan distribution to low-, moderate-, and middle-income families was 15% each; 55% went to upper-income families. We did note, however, that mortgage-related loans were all made to upper-income individuals. Mortgage loan products were only recently introduced and only five had been originated at the time of our review. Both consumer and residential loans were the result of applications from established commercial customers of the bank and director referrals. The level of consumer lending to LMI families is satisfactory in relation to the demographics of the community, competition, location of bank, and available lending opportunities. The following table summarizes our analysis of lending activity by different income levels.

Loan Sample Distribution by Income Group										
1999 HUD Updated Median Family Income	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Total # of Families	
Area Demographic Characteristics	21.5%		17.3%		21.4%		39.8%		100%	
# of Families	24,564		19,753		24,476		45,462		114,255	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	3	15%	3	15%	3	15%	11	55%	20	100%
Residential	0	0%	0	0%	0	0%	4	100%	4	100%
Total	3	12.5%	3	12.5%	3	12.5%	15	62.5%	24	100%

CNB's primary market focus is on small business and commercial real estate lending. Since opening in May 1998, the bank has been fairly successful in originating loans to small businesses with revenues less than 1MM, which is a very competitive market. Management continues to focus on providing loans that will enhance the local economy. The following chart reflects the results of our analysis of a sample of commercial loans originated since CNB opened (sample totaled 38% of commercial loans inside the assessment area).

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	5	19%	1	4%	8	31%	12	46%	26	100%

Geographic Distribution of Loans

The geographic distribution of loans within CNB's assessment area reflects a reasonable dispersion. A review of consumer, residential, and commercial loans originated since the bank's opening indicate that loans have been made in low-, moderate-, middle-, and upper-income census tracts. Based on our sample,

11% of loans were in low-income areas, 19% were in moderate-income areas, 11% were in middle-income areas, and 59% were in upper-income areas.

Although CNB has not made loans in all of the census tracts located in its assessment area, given its size, location and level of accessibility, and the relatively short period of time that it has been opened, the bank has made satisfactory progress in meeting the credit needs of its assessment area. The chart below reflects the results of our sample of the geographic distribution of loans originated within the assessment area.

Lending in Areas of Different Income Levels within the Assessment Area (AA)										
1990 Census Data	Low- Income Areas		Moderate- Income Areas		Middle- Income Areas		Upper- Income Areas		Total	
Percent of Total Demographic Areas in AA:	10.1%		32.8%		29.4%		27.7%		100%	
Count:	12		39		35		33		119	
Loans Made	#	%	#	%	#	%	#	%	#	%
Total	4	11%	7	19%	4	11%	21	59%	36	100%

Response to Complaints

No complaints relating to its CRA performance have been received by CNB.

Compliance with Fair Lending Laws and Regulations

A fair lending examination was conducted as part of a compliance examination of CNB. Our review of consumer-related loans determined that the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. No fair lending violations were identified.