

Public Disclosure

July 6, 1999

Community Reinvestment Act Performance Evaluation

**City National Bank
Charter Number 8745
P.O. Box 380
423 Ferry Street
Metropolis, IL 62960**

**Office of the Comptroller of the Currency
Evansville Field Office
Post Office Box 20130
Evansville, Indiana 47708**

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 neighborhoods, consistent with 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 (City National), prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 6, 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 "Satisfactory Record of Meeting Community Credit Needs."

The rating of "*Satisfactory*" is supported by City National's performance, which reflects:

- a substantial majority of loans made to customers living within the assessment area;
- a satisfactory record of lending to borrowers of all income levels and to businesses and farms of all sizes; and
- a reasonable loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

City National Bank (City National) is a full-service bank in Metropolis, Illinois. The bank is a wholly owned subsidiary of City National BankCorp. On June 30, 1999, City National had total assets of \$111 million. The ratio of net loans to total assets on this date was 58 percent.

City National is a full-service lender focusing locally on residential real estate, consumer, small business, and small farm lending. There are no financial or legal impediments that would hamper the bank's ability to meet the credit needs of the community. City National has a satisfactory capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

Table 1 Balance Sheet as of June 30, 1999			
Total Loans	\$65,813,000	Total Deposits	\$92,007,000
Investments	\$42,073,000	Other Liabilities	\$2,688,000
Other Assets	\$3,509,000	Total Liabilities	\$94,695,000
		Total Equity Capital	\$ 16,700,000
Total Assets	\$111,395,000	Total Liabilities & Capital	\$111,395,000

Source: City National Bank Financial Reports.

The loan portfolio consists of 67% real estate loans, 16% consumer loans, 12% commercial loans, and 5% agricultural loans. This is the percent of gross loans by total dollars outstanding.

City National operates from the main office in Metropolis, Illinois. ATM services are available at five locations around Metropolis. Banking hours are Monday through Wednesday from 9:00 A.M. to 3:00 P.M., Thursday and Saturday from 9:00 A.M. to 12:00 P.M. and Friday 9:00 A.M. to 6:00 P.M. Drive-up and "walk-up" services are Monday through Friday from 8:00 A.M. to 6:00 P.M. and Saturday from 8:00 A.M. to 2:00 P.M. The bank has not opened or closed any branch offices during the period.

The evaluation period for this review is January 8, 1996 to July 6, 1999. The last CRA Performance Evaluation was dated January 8, 1996. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREAS

City National's assessment area includes all of Massac County, Illinois. Massac County includes four middle-income Block Numbering Areas (BNAs). Income levels of BNAs are based on the statewide non-Metropolitan Statistical Area (MSA) median family income. The income categories are defined as

low-, moderate-, middle-, and upper-, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, of the non-MSA median family income. The current non-MSA median family income for Illinois is \$39,500. The assessment area is consistent with the guidelines of the regulation.

Metropolis is the largest city in Massac County, population 14,000. The area surrounding Metropolis is rural. The city is on the Ohio River at the southern tip of Illinois. The community is one mile off Interstate 24, nearly halfway between Nashville, Tennessee and St. Louis, Missouri. Metropolis is the center of business in Massac County. The Massac County economy is supported by tourism, light industry, and agriculture. Major employers include AlliedSignal, Inc., Players Island Casino, Mid-South Towing, Electric Energy Incorporated, and American Electric Power. The March 31, 1999 unemployment rate for Massac County was 4.9 percent. The Illinois rate was 4.6 percent and the United States rate was 4.4 percent. The contiguous counties of southern Illinois are among the more economically depressed in the state with unemployment rates reaching 9.8 percent. Table 2 reflects the county unemployment rates compared to the state and national average.

Table 2 Unemployment Percentages March 31, 1999						
Hardin	Pulaski	Pope	Johnson	Massac	Illinois	U.S.
6.6%	8.6%	9.8%	8.2%	4.9%	4.4%	4.6%

Source: Illinois Department of Commerce.

Competition from other financial institutions is moderate. The primary competitors include two local national banks of similar size.

Table 3 depicts the number and percentage of families within the bank's assessment area based upon income level. The table reveals that 27% of the families have low- and 18% have moderate-incomes. Of the low-income families, 582 or 50% of these families are below the poverty level. This information is used to compare the bank's lending patterns to borrowers of different income levels.

Income level of BNA (#of BNA's)	Table 3 Family Income Level				
	Low	Moderate	Middle	Upper	Total
Middle-Income (4)	1,158	767	936	1,448	4,309
	26.9%	17.8%	21.7%	33.6%	100%

Source: Local Demographic Data

The 1998 non-MSA median family income for Illinois is \$39,500. Income categories are defined as: less than 50% or \$19,750 - low; 50% to 80% or \$31,600 - moderate; 80% to 120% or \$47,400 - middle; and >120% - upper.

Table 4 provides information on the number of businesses and farms with revenues of less than \$1 million. This table reveals that there are 277 businesses within the bank’s assessment area with revenues of less than \$1 million. All reported farms have revenues less than \$1 million. There were 27 businesses with annual revenues greater than \$1 million. The table also provides information on the number of companies that are located in the various geographies. This information was used in analysis of the bank’s lending opportunities and performance in lending to small businesses and small farms.

Table 4 Number of Businesses and Farms Annual Revenues of Less than \$1 Million		
Tract or BNA within Assessment Area	Middle-Income BNAs	
	Business	Farm
9701	15	1
9702	139	4
9703	24	0
9704	99	0
Total	277	5

Source: Local Demographic Data

No unmet lending needs were identified during the review. Information obtained through contact with a community member was used in the analysis. The community contact was a representative from the local housing authority. The primary lending needs and other services identified include small dollar consumer loans and education on banking products and services for low- and moderate-income individuals. City National is helping to meet these needs. Examples of this performance include the “In and Out of Assessment Area” lending ratio with 96 percent of the number and 99 percent of the dollar amount of City National’s loan originations in the bank’s assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate the bank's lending performance, the OCC reviewed bank-compiled data of all types of loans originated from January 1997 through June 1999. This was done to evaluate the bank's volume of lending inside the assessment area and to borrowers of different income levels. The accuracy of information compiled by the bank was verified by sampling twenty-three residential real estate loans originated between January and June 1999. Real estate loan originations were sampled because this is the bank's major type of lending.

Lending inside assessment area:

City National's record of lending activity indicates that a substantial majority of the bank's loans are originated within the assessment area.

Table 5 Ratio of Loans Inside the Assessment Area 1998 Originations	
Loan Type	Percent of # of Loans Inside the AA
Real Estate	86%
Business	87%
Agriculture	100%

Source: Bankers Self-Assessment of Lending.

A sample of real estate loans originated in 1999 was selected to determine the accuracy of the bank's reported findings.

Table 6 Ratio of Loans Inside the Assessment Area January to June 1999	
	Real Estate Loan Originations
# of Loans Inside the AAs	22
Total # of Loans Sampled	23
% of Loans Inside by #	95.7%
\$ of Loans Inside the AAs	\$1,533,248
Total \$ of Loans	\$1,555,748
% of Loans Inside by \$	98.6%

Source: OCC's review of real estate loan originations.

The sample found 96 percent of the number and nearly 99 percent of the dollar volume of real estate loans originated were inside the bank's assessment area. City National's record of lending to borrowers in the assessment area is strong.

Lending to borrowers of different incomes and to businesses of different sizes:

HOME MORTGAGE LOANS

City National's level of originations in the assessment area to low- and moderate-income borrowers is consistent with lending opportunities and the bank's abilities to help meet the credit needs of the assessment area. Table 7 details the number of residential real estate loan originations to borrowers of different income levels in the assessment area. The table shows that 20 percent of the number of loans were made to low- and moderate-income borrowers while 44.7 percent of families are low- or moderate-income. This level is reasonable in light of the number of families below the poverty level. Fifty percent of the low-income families in the assessment area have incomes below the poverty level. Affordable housing opportunities are limited for families below the poverty level.

Table 7 Borrower Distribution of Residential Real Estate Loans					
Income Level of Borrower	Number of Loans		Dollar Volume		Total Families in the AA's
	#	%	\$000's	%	%
Low-income	1	5%	\$16	1%	26.9%
Moderate-income	3	15%	\$109	8%	17.8%
Middle-income	4	20%	\$210	16%	21.7%
Upper-income	12	60%	\$996	75%	33.6%
TOTAL	20	100%	\$1,331	100%	100%

Source: OCC's review of residential real estate loan originations. Dollar amounts are in thousands. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of the states non-MSA median family income.

SMALL BUSINESS AND SMALL FARM LOANS

City National's record of extending loans to small businesses and small farms is satisfactory. The demographic data used to compile Table 4 shows that 80 percent of all businesses and all farms in the assessment area have annual incomes of less than \$1,000,000. To verify the bank's record of extending loans to businesses and farms of different sizes, we used bank compiled data of business and farm loan originations in 1998. Using loan size as a proxy for business size shows that the majority of business and farm loans made by City National are to small businesses and farms. Table 8 shows the average loan size for business and farm loans is below \$100,000. The table illustrates that the bank has a satisfactory record of making small dollar volume loans to small businesses and small farms. This is evidenced by the fact that the average business loan is \$64,241 and the average farm loan is \$27,257.

Table 8 Small Business and Small Farm Loans Average Loan Size at Origination			
Loan Amount at Origination	#	\$(000s)	Average Loan Size
Business Loans	241	\$15,482	\$64,241
Farm Loans	168	\$4,579	\$27,257
TOTAL	409	\$20,061	\$49,049

Source: Compiled loan data from bankers self assessment.

Geographic distribution of loans:

We did not perform an analysis of the bank's loan originations by geographical area. The bank's assessment area includes four middle-income BNAs. There are no low- or moderate-income geographical areas in Massac County.

Loan-to-deposit ratio:

City National's quarterly average loan-to-deposit ratio from March 1996 to March 1999 is 63 percent. This is reasonable for a bank of their size and condition in this area. The ratios for competitor banks in the market area range from 63 to 83 percent. Performance that is more recent indicates a higher ratio. The quarterly average for the most recent five quarters is 67.6 percent, with competitors ranging from 74 to 82.6 percent.

Response to complaints:

City National has not received any complaints during this evaluation period.

Compliance with antidiscrimination laws:

We performed a review for illegal discrimination by reviewing a sample of real estate and consumer loan applications received between April 1998 and July 1999. Our sample consisted of approved and denied applications. We did not identify any violations of the substantive provisions of the anti-discrimination laws or regulations. City National's fair lending policies and procedures are satisfactory.