



PUBLIC DISCLOSURE

April 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank
Charter Number 18054**

**601 East Florida Street
Midland, Texas 79701**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
Dallas, Texas 75201-3394**

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 Community Reinvestment Act (CRA) performance of **Community National Bank**, prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 20, 1998. 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**.

The lending performance of Community National Bank is satisfactory. The following highlights the bank's performance:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The average loan-to-deposit ratio since March 31, 1996 is 43.70%.
- A majority of loans and other lending related activities are in the bank's assessment area. Based on an analysis of the entire portfolio, 92% of the number of loans and 78% of the dollar volume, were in the bank's assessment area.
- The lending pattern shows a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans within the bank's assessment area reflects a reasonable dispersion between different census tracts.
- There have been no consumer complaints regarding the bank's CRA performance.

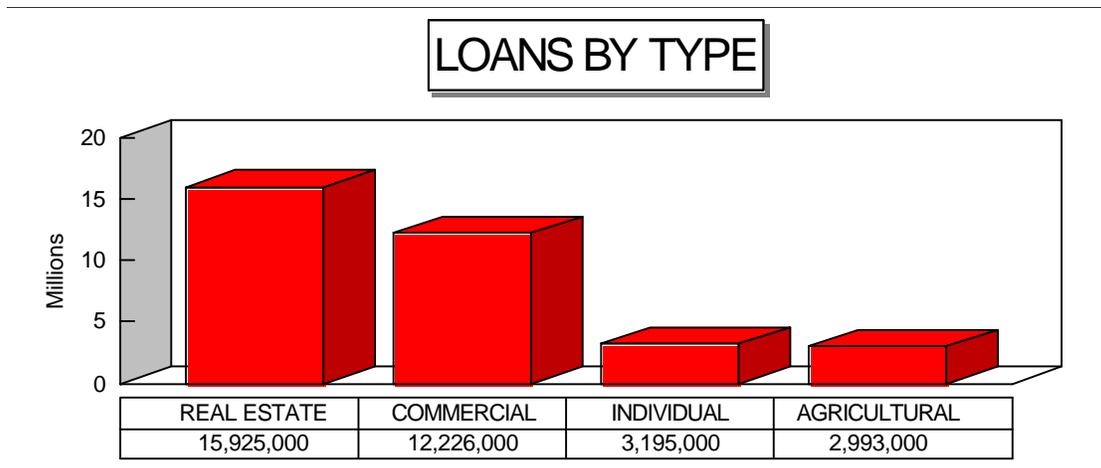
The following table indicates the performance level of Community National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Community National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF INSTITUTION

Community National Bank (CNB) was established in 1984 and is an \$82 million institution in Midland, Texas. CNB has four banking sites, all located within the city of Midland. The bank offers traditional loan and deposit products. The bank has one Automatic Teller Machine (ATM) in a branch drive-up facility. The ATM is accessible twenty-four hours a day. The bank does not face any legal impediments or other factors that inhibit it from meeting the credit needs of the assessment area. The prior CRA performance evaluation as of December 12, 1995 rated the bank "Outstanding."

CNB's loan portfolio totals \$34 million representing 41% of total assets. A breakdown of the bank's loan portfolio as of March 31, 1998, is depicted below:



DESCRIPTION OF MIDLAND COUNTY

The Board of Directors has designated Midland County as the bank's assessment area. The county is in the Midland/Odessa Metropolitan Statistical Area (MSA). The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies.

According to the 1990 census, Midland County had a population of 106,611. There is one institution of higher learning, Midland College. The primary industry is oil and gas with additional activities in farming, ranching and small businesses.

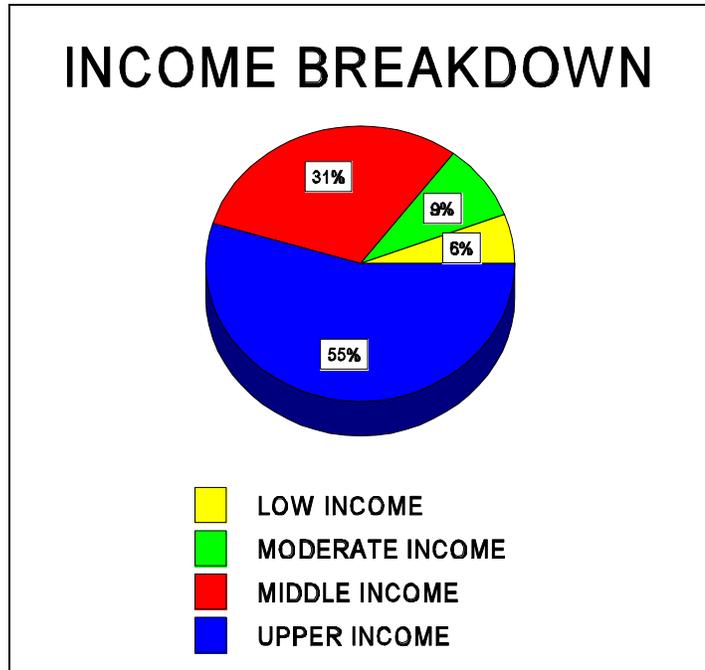
The median family income for Midland County is \$37,500. Midland County contains twenty-six census tracts including two low-income, three moderate-income, seven middle-income, and

fourteen upper-income census tracts. Approximately twelve percent of the households have been identified as low- or moderate-income. The chart at the right shows the demographic composition of Midland County.

Major employers in Midland are Midland Independent School District, Memorial Hospital and Medical Center, The City of Midland, Midland Junior College, Pioneer Natural Resources and Chevron USA.

Credit needs in the assessment area are centered in small business, consumer and residential construction. There are seventeen other financial institutions in the assessment area resulting in a highly competitive environment. They include one other locally owned commercial bank, five regional commercial banks, and two branches of out-of-area commercial banks. In addition, there are nine credit unions and many finance companies.

We made two community contacts during this examination. Those contacts said that access to venture capital and more affordable housing is needed.



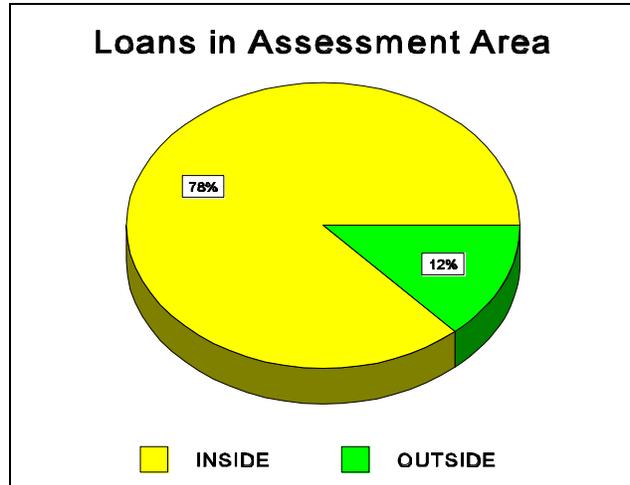
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio (L/D) is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 43.70% since March 31, 1996. During 1997, the bank's L/D ratio has ranged from a low of 43.48% on March 31, 1997, to a high of 46.83% on September 31, 1997. It should be noted that the bank's mortgage operating subsidiary has originated a significant volume of home mortgages in the last fifteen months. Over \$28 million representing 305 loans have been sold in the secondary market in that time. It is difficult to evaluate how this ratio compares with other local institutions because the information on the regional branches is not available.

Lending in the Assessment Area.

A majority of loans and other lending related activities are in the bank’s assessment area. CNB conducted a formal analysis of the lending activities in and out of its assessment area for 1997. This analysis revealed that approximately 78% of the dollar amount and 92% of the number of loans were made to customers residing in the assessment areas. The table to the right shows the results of this review.



Loans to Borrowers of Different Income and Businesses of Different Sizes

The distribution of lending to individuals and businesses of different income levels is reasonable. The bank does not perform a borrower income analysis. However, our review of randomly selected credits showed that the bank extends credit to individuals with a range of income levels. The following table shows the results of the review.

Lending to Borrowers of Different Income Levels								
	Low Income Households <\$22,650		Moderate Income Households \$22,651-\$36,239		Middle Income Households \$36,240-\$54,359		Upper Income Households >\$54,359	
Assessment Area Characteristics	6%		9%		30%		55%	
	#	\$	#	\$	#	\$	#	\$
Consumer Loans	43%	19%	33%	30%	13%	28%	11%	23%
<i>Sample of 30 consumer loans for a total of \$218,645</i>								

We reviewed bank reports of outstanding loans extended to small businesses as of March 31, 1998. These reports showed that many small business loans are made to businesses with gross revenues of less than \$250 thousand. The following table reflects the lending pattern.

Lending to Businesses of Different Revenue Levels		
	Commercial Loans	
	#	\$
Gross Revenues <\$250 million	43%	39%
Gross Revenues \$251-\$500 million	10%	2%
Gross Revenues \$501-\$1 million	10%	3%
Gross Revenues >\$1 million	37%	56%
<i>Sample of 21 loans for a total of \$3,619,620</i>		

Geographic Distribution of Loans

We reviewed bank reports of outstanding loans to perform a geographic analysis of lending patterns throughout the assessment area. The following table reflects the bank's lending activity as of March 31, 1998.

Lending within the Assessment Area						
Tract Description	Census Tracts within Assessment Area		# of Loans within Assessment Area		\$ Outstanding of Loans within Assessment Area	
	#	%	#	%	\$(000's)	%
Low	2	8	122	12	1,666	5
Moderate	3	12	93	9	2,309	6
Middle	7	27	426	41	12,724	35
Upper	14	53	328	30	11,793	32
Other			82	8	7,889	22
Totals	26	100	1,051	100	36,381	100

A Fair Lending examination was performed at this examination. Based on a comparative file review of approved home improvement loans to white applicants to denied Hispanic applicants. We did not identify any evidence of disparate treatment or discriminatory practices.

Response to Complaints

No consumer complaints have been received since the last examination. No violations of the substantive provisions of antidiscrimination laws and regulations were identified during this examination.