



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Central National Bank
Charter #16626**

**8320 West Highway 84
Waco, Texas 76712**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
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 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 **Central National Bank, Waco, Texas**, as prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 26, 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 assessed a rating of **Satisfactory**.

Central National Bank's (CNB) lending performance reflects a satisfactory responsiveness to community credit needs. The following highlights the bank's performance:

- The loan-to-deposit ratio is well above most area banks' ratio and exceeds the standard for satisfactory performance. CNB's loan-to-deposit ratio averaged 65.8% from June 1995 to June 1998; local competition averaged 56.4% for the same period.
- A majority of the number and dollar volume of loans originated from January 1998 through September 1998 are in the bank's assessment area.
- The distribution of borrowers reflects a satisfactory penetration to individuals of different incomes and businesses of different sizes.
- The geographic distribution of loans reflects a level of lending to middle- and upper-income census tracts significantly in excess of demographic characteristics. This pattern of lending does not meet the standard for satisfactory performance.
- The bank received no consumer complaints concerning its CRA performance since the April 6, 1995 examination.

The following table indicates the performance level of **CNB** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PERFORMANCE LEVELS CENTRAL NATIONAL BANK		
	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	There have been no complaints received since the last examination.		

DESCRIPTION OF INSTITUTION

Central National Bank has total assets of \$261 million with loans totaling \$154 million. The bank's main office is located on the southern edge of Waco on Highway 84. CNB has two branches, one located at 5400 Bosque Blvd. in Valley Mills (Waco) and a new branch at 2820 Thornton Lane in Temple, Texas. In addition, the bank has four automated teller machines (ATMs) located throughout Waco. ATMs are located at each of the Waco offices, one at the Hillcrest Baptist Medical Center and at one at JP's Convenience Center. The stand-alone ATMs are located in areas that are readily accessible to low- and moderate-income census tracts.

Loans make up 59% of the bank's total assets. As of September 30, 1998, the loan portfolio consists of the following primary categories:

Loan Portfolio Composition		
Loan Type	Amount (000's)	Percentage of Gross Loans
Commercial Loans	\$ 46,104	30%
1 - 4 Family Residential Loans	\$ 41,766	27%
Consumer Loans	\$ 33,511	22%
Commercial Real Estate Loans	\$ 32,218	21%
Agricultural Loans	\$ 325	0%
Total	\$ 153,924	100%

There are no legal or financial factors impeding CNB's ability to help meet the credit needs in its assessment areas. The previous CRA examination is dated April 6, 1995.

DESCRIPTION OF ASSESSMENT AREAS

McClennan County

CNB has its main office, one branch, and two stand-alone ATMs in Waco, Texas. Waco is located in Metropolitan Statistical Area (MSA) #800 (McClennan County, Texas). Based on 1990 census data, the population of MSA #8800 is 189,000 with 71% being White, 15% Black, 12% Hispanic, and 1% Asian.

The MSA is comprised of four low-income census tracts, eleven moderate-income census tracts, 23 middle-income census tracts, and fourteen upper-income census tracts. Housing statistics reflect 52% of available units are owner occupied, 36% are tenant occupied, 10% are vacant, and 2% are uninhabitable. Primary employers in the area include manufacturing, services, retail trade, and government. Waco's economy is diverse and normally is not significantly impacted by swings in the overall general economy.

Bell County

CNB opened a branch in Temple, Texas, on September 1, 1998. Temple is located in MSA #3810 (Bell and Coryell Counties, Texas). CNB has identified 22 census tracts in Bell county as its assessment area. Based on 1990 census data, the population of this assessment area is 81,000 with 74% being White, 14% Hispanic, 11% Black, 1% American Indian, and 1% Asian.

The MSA is comprised of seven moderate-income census tracts, five middle-income census tracts, and ten upper-income census tracts. There are no low-income areas in the bank's assessment area, nor in MSA #3810. Housing statistics reflect 53% of available units are owner occupied, 35% are tenant occupied, 11% are vacant, and 1% are uninhabitable. Primary employers in the area include government, services, retail trade, and manufacturing.

The local economy is significantly impacted by the U. S. Army training facility at Fort Hood, Texas. This is the largest military training facility in the free world and covers parts of Bell and Coryell counties. The number of troops stationed there range from 40,000 to 45,000.

Due to the branch's recent opening, a detailed analysis of its lending performance was not performed. Loans generated through the branch, as of October 26, 1998, total \$112 thousand and represent less than 0.1% of CNB's loan portfolio.

Credit needs identified by community contacts in both MSAs included affordable housing, home improvement, consumer, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management is performing satisfactorily in meeting the credit needs of the assessment areas, including low- and moderate-income individuals and areas, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is well above most area banks' ratio and exceeds the standard for satisfactory performance. CNB's loan-to-deposit ratio averaged 65.8% from June 1995 to June 1998, local competition averaged 56.4% for the same period. The bank's loan-to-deposit ratio, as of September 30, 1998, is 67.0%.

Lending in the Assessment Areas

A majority of the number and dollar volume of loans originated from January 1998 through September 1998 are in the bank's assessment area. Of commercial and consumer loans originated during the period, 81% of the number and 73% of the dollar amount of loans were within CNB's assessment area. These figures were in line with internal reports reflecting loan originations within the bank's assessment area from June 1995 through December 1996 and for 1997 of 88% and 83% by number, respectively. HMDA data for January 1996 through September 1998 reflected 93% of the number of loans originated were in the bank's assessment area.

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

The loan distribution to individuals with different income levels within the assessment areas is satisfactory. Our review of HMDA data for January 1996 through September 1998, and a sample of consumer loans, indicated that lending activity to low- and moderate-income families generally fell in line with demographic characteristics of the assessment areas. The details of our review are reflected in the following table:

Loan Sample Distribution by Income Group										
	Low- Income Families		Moderate- Income Families		Middle- Income Families		Upper- Income Families		Total # of Families	
Area Demographic Characteristics	22%		17%		22%		39%		100%	
# of Families	10,514		8,315		10,592		18,979		48,400	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	144	19	157	20	182	23	291	38	774	100
Residential	12	4	26	10	41	15	196	71	275	100
Total	156	15	183	18	223	21	487	46	1049	100

We also reviewed 50 commercial loans to determine the distribution among businesses of different income levels. Our analysis reflected a reasonable dispersion, given the bank's emphasis on small business lending, with 55% of commercial loans being granted to entities having gross revenues of less than \$1 million. Details of our review are reflected in the following table:

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	2	5	5	11	17	39	20	45	44	100

Geographic Distribution of Loans

The geographic distribution of loans reflects a level of lending to middle- and upper-income census tracts significantly in excess of demographic characteristics. This pattern of lending does not meet the standard for satisfactory performance. Commercial and consumer loans originated during the period of January 1998 through September 1998 and HMDA loans originated during the period from January 1996 through September 1998 were reviewed. The following table reflects the comparison of CNB loan distribution to the demographic characteristics of the bank's assessment areas.

Lending in Areas of Different Income Levels Within the Assessment Area										
	Low- Income Areas		Moderate- Income Areas		Middle- Income Areas		Upper- Income Areas		Total	
Percent of Total Demographic Areas in AA:	8%		21%		44%		27%		100%	
Count:	4		11		23		14		52	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer	13	2	110	14	248	30	444	54	815	100
Residential	8	3	32	11	93	31	164	55	297	100
Commercial	0	0	8	16	26	52	16	32	50	100
Total	21	2	150	13	367	31	624	54	1162	100

Response to Complaints

The bank received no consumer complaints concerning its CRA performance since the April 6, 1995 examination.

Other Pertinent Information

A Fair Lending examination was performed in conjunction with this evaluation and found no evidence of disparate treatment or discriminatory practices.