



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 11, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The City National Bank of Shenandoah
Charter Number 14057**

**116 South Blossom Street
Shenandoah, Iowa 51601**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154**

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.

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INSTITUTION's CRA RATING

This institution is rated Satisfactory.

The City National Bank of Shenandoah (CNB) adequately meets the credit needs of its assessment area. The bank's primary lending activities are centered on agriculture, residential real estate, and commercial borrowers.

- CNB meets the credit needs of its assessment area.
- The bank's lending efforts result in reasonable penetration of farms and businesses of different sizes. The bank has excellent penetration of residential real estate loans to moderate-income borrowers.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- A substantial majority of the bank's loans are within the assessment area.

DESCRIPTION OF INSTITUTION

CNB is a \$49 million bank located in Page County in Southwest Iowa. The bank is located in Shenandoah, Iowa. The bank also owns two automated teller machines (ATM) located in Shenandoah. City National Bancorp, a one-bank holding company, owns 93% of CNB. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

As of June 30, 2001, CNB's loan portfolio comprised 49% of total assets. The bank's primary credit products are agriculture, residential real estate, and commercial loans. The table below breaks down the loan portfolio by outstanding dollars and number of loans.

	% of outstanding dollars	% of outstanding # of loans
Agricultural/RE Loans	32%	21%
Residential RE Loans	31%	35%
Commercial Loans	30%	11%
Consumer Loans	7%	33%

CNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination, dated April 15, 1997.

DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area (AA) consists of five block numbering areas (BNAs). The AA includes the east half of Fremont County and all of Page County except the city of Clarinda. Towns in the AA include: Shenandoah, Essex, Hepburn, Coin, Blanchard, Yorktown, College Springs, Shambaugh, Braddyville, Randolph, Imogene, and Riverton. The AA does not exclude any low- or moderate-income tracts and meets the requirements of the regulation. Individuals can refer to the CRA public file for a map outlining the bank's AA.

According to the 1990 U.S. Census, 14,324 people reside in the AA with 5,572 located in Shenandoah. The inflation adjusted 2000 family income is \$45,300 for non-metropolitan statistical areas in Iowa. Two BNAs are moderate-income and the other three are middle-income. Family incomes in the area are 22% low-income, 20% moderate-income, 25% middle-income, and 33% upper-income. Thirteen percent of AA households have income below the poverty level. The median housing value in the AA is \$30,036, and 64% of housing is owner occupied.

Manufacturing, agriculture, and retail trade industries contribute significantly to the local economy according to the U.S. Department of Commerce Bureau of Analysis' Regional Economic Information System. Major employers include Pella Corporation (window manufacturer), Eaton Corporation (transmission manufacturer), and Earl May (garden center and nursery retailer). The State of Iowa Workforce Development LMI Bureau reported 3.9% and 3.0% unemployment rates as of June 2001 for Page County and Fremont County, respectively.

Examiners made two community contacts during this CRA examination. The community contacts included a local community leader and a local realtor. Discussions with the community contacts revealed residential real estate as the primary credit need of the area. CNB offers and originates this type of loan.

Competition for financial services is strong in the AA. There are nine financial institutions competing for loans and deposits within the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's average loan-to-deposit (LTD) ratio is reasonable, given the institution's size, financial condition, and AA credit needs. CNB's LTD ratio averaged 51.51% over the past seventeen quarters and was 57.38% at June 30, 2001. The seventeen quarter average for banks with similar products and services located within the AA ranged from 44.83 % to 63.38%, with an average of 55.41%.

Lending in Assessment Area

CNB originates a substantial majority of its loans within the AA. We reviewed a sample of 25 agriculture, 23 residential real estate, and 25 commercial borrowers to determine the bank's lending to individuals in the AA. All loans were originated since the last CRA examination.

The following table shows the findings of our sample:

ASSESSMENT AREA CONCENTRATION

	# of Loans	% of total #	\$ of Loans	% of total \$
Inside AA	65	89%	\$2,229,000	71%
Outside AA	8	11%	\$911,000	29%
Totals	73	100%	\$3,140,000	100%

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

CNB has a satisfactory record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans totaling \$632,159 to determine the bank's lending to farms of different sizes. All of the loans in this sample were to farms located within the AA and were originated since the last CRA examination. The majority of the bank's lending was to smaller operations, those with less than \$250,000 in gross annual revenue, which approximates the demographic data. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	% of total #	\$ of loans	% of total \$	% of Farms in AA
\$0 - \$100,000	6	30%	\$ 47,600	7%	65%
\$100,001 - \$250,000	10	50%	\$497,565	79%	22%
Over \$250,001	4	20%	\$ 86,994	14%	13%
Totals	20	100%	\$632,159	100%	100%

CNB's record of lending to small businesses with revenues less than \$1 million is excellent. We reviewed a sample of 23 commercial loans totaling \$803,446 to determine the bank's lending to small businesses. All of the loans in this sample were made to businesses located within the AA and were originated since the last CRA examination. All of the bank's lending was to smaller operations, those with less than \$1 million in gross annual revenue. This is comparable to the 2000 Business Geodemographic Data, which shows 93% of businesses with gross annual revenues of \$1 million or less. The following table shows the number, dollar volume, and corresponding percentages of the commercial loan sample.

LOANS TO BUSINESSES OF DIFFERENT SIZES					
Gross Revenue of Businesses	# of loans	% of total #	\$ of loans	% of total \$	% of Businesses in AA
< = \$1 million	23	100%	\$803,446	100%	93%
> \$1 million	0	0%	\$0	0%	7%
Totals	23	100%	\$803,446	100%	100%

CNB's record of lending to individuals of different incomes is excellent, given AA demographics. CNB originated 28% of its loans to moderate-income borrowers, while only 20% of AA families are moderate-income. We reviewed a sample of 21 residential real estate loans totaling \$794,394 to determine the bank's lending to individuals of different income levels. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since the last CRA examination. The following table demonstrates the breakdown of loans to individuals as compared to the AA demographics.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans	% of total \$	% of Families in the AA
Low	5	24%	\$ 50,462	6%	22%
Moderate	6	28%	\$141,998	18%	20%
Middle	5	24%	\$183,934	23%	25%
Upper	5	24%	\$418,000	53%	33%
Totals	21	100%	\$794,394	100%	100%

Geographic Distribution of Loans

CNB has an adequate record of providing agricultural loans throughout the AA. We sampled 20 agricultural loans totaling \$632,159 to determine loan dispersion throughout the AA. All of the loans in this sample were made to farms located within the AA. We compared our data to the percentage of farms located in each tract. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

AGRICULTURAL BORROWER SAMPLE					
BNA	# of loans	% of total #	\$ of loans	% of total \$	% of Farms in the AA
9901 (middle)	5	25%	\$ 31,000	5%	18%
9902 (moderate)	0	0%	\$ 0	0%	4%
9903 (middle)	0	0%	\$ 0	0%	24%
9906 (moderate)	4	20%	\$126,746	20%	25%
9701 (middle)	11	55%	\$474,413	75%	29%
Totals	20	100%	\$632,159	100%	100%

CNB's record of providing business loans throughout the AA is excellent, given AA demographics. We sampled 23 commercial loans totaling \$803,446 to determine the bank's dispersion throughout the AA. All of the loans in this sample were made to businesses located within the bank's AA. We compared our data to the percentage of businesses located in each tract. The following table shows the number, dollar volume, and corresponding percentages of the commercial loan sample.

COMMERCIAL BORROWER SAMPLE					
BNA	# of loans	% of total #	\$ of loans	% of total \$	% of Businesses in the AA
9901 (middle)	1	4%	\$ 80,000	10%	10%
9902 (moderate)	9	39%	\$375,252	47%	25%
9903 (middle)	12	53%	\$342,994	42%	41%
9906 (moderate)	1	4%	\$ 5,200	1%	11%
9701 (middle)	0	0%	\$ 0	0%	13%
Totals	23	100%	\$803,446	100%	100%

CNB has a satisfactory record of providing residential real estate loans to individuals throughout the AA. We sampled 21 residential real estate loans totaling \$794,394 to determine the bank's dispersion throughout the AA. All of the loans in this sample were made to individuals within the bank's AA. We compared our data to the percentage of AA owner-occupied housing units by BNA. The following table shows the number, dollar volume, and corresponding percentages of the residential real estate loan sample.

RESIDENTIAL REAL ESTATE BORROWERS SAMPLE					
BNA	# of loans	% of total #	\$ of loans	% of total \$	Owner occupied houses in AA
Middle-Income	13	62%	\$604,465	76%	62%
Moderate-Income	8	38%	\$189,929	24%	38%
Totals	21	100%	\$794,394	100%	100%

Responses to Complaints

The bank has not received any complaints regarding CRA performance since the last CRA examination dated April 15, 1997.

Fair Lending Review

An analysis of 1998 and 1999 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.