



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 26, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The City National Bank of Shenandoah
Charter Number 14057

116 South Blossom Street
Shenandoah, Iowa 51601

Office of the Comptroller of the Currency
Omaha Field Office
13710 FNB Parkway Suite 110
Omaha, NE. 68154-5298

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The City National Bank of Shenandoah (CNB) does a satisfactory job of meeting the needs of its assessment area (AA).

- The bank's lending level is reasonable given the institution's size, financial condition, and the AA's credit needs.
- A majority of the bank's loans are originated within its AA.
- Lending to farms of different sizes is reasonable.

SCOPE OF EXAMINATION

CNB was evaluated under the small bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The evaluation period for this examination is from May 8, 2006 to September 26, 2011. The lending test for CNB covers its performance from January 1, 2009 through September 26, 2011, as this is representative of its lending strategy since the previous Community Reinvestment Act (CRA) examination.

CNB's primary loan product is agricultural loans. To evaluate CNB's performance under the lending test, we selected a random sample of 20 agricultural loans originated between January 1, 2009 and September 26, 2011. Our conclusions are based on this sample.

DESCRIPTION OF INSTITUTION

CNB is a \$73 million bank located in Page County in southwestern Iowa. The bank is 100% owned by CNB Corp; a one-bank holding company in Shenandoah, Iowa. The bank's only office is located in Shenandoah. CNB operates with four automated teller machines. No branches have been opened or closed since the last CRA examination. There have not been any significant changes to CNB's corporate structure, including merger or acquisition activities, since the previous CRA examination.

CNB offers a full range of deposit and loan products and services. Deposit products and services include checking, savings, and certificates of deposit. CNB's primary lending focus is agricultural loans. As of June 30, 2011, CNB reported total loans of \$34 million and had a net loans and leases to total assets ratio of 47%. The following chart provides a breakdown of CNB's lending products during the evaluation period.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Home Loans	8%	8%
Consumer Loans	6%	44%
Business Loans	27%	18%
Farm Loans	59%	30%
Total	100%	100%

Source: Bank reports.

There are no legal or financial impediments to CNB's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its previous CRA examination dated May 8, 2006.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The AA consists of seven contiguous census tracts (CTs); including 9907 in Fremont County and 9901, 9902, 9903, 9904, 9905, and 9906 in Page County. All of the CTs are middle-income geographies. Individuals can refer to the bank's CRA Public File for a map outlining the AA.

According to the 2000 United States Census, the total population of the AA is 19,422. Approximately 19% of families in the AA are low-income, 17% moderate-income, 27% middle-income, and 37% upper-income. 12% of the AA households are below the poverty level. The weighted average median family income is \$58,500 for non-metropolitan statistical areas in Iowa. The median weighted average of the house value in the AA is \$61,381 and 66% of housing is owner occupied.

The local economy is stable and is heavily reliant on the agricultural economy. The recent trend of strong crop prices has significantly increased the revenues for local farms and benefited the AA. The unemployment rate is low at 3%. Local schools, local government, and two manufacturing plants are the largest employment sources in the area. There are three other similarly situated financial institutions within the AA. CNB is the second largest institution of these financial institutions. There are also several other larger financial institutions with branches in the community who provide the most competition to the bank.

We conducted one community contact with a local organization. The community contact revealed that agricultural, home purchase and refinance loans are the primary lending need within the community. The contact indicated there is a need for new and affordable housing in the area given the older age of the current housing inventory. Finally, the community contact indicated the banks in the AA meet the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's lending level is reasonable given the bank's loan-to-deposit (LTD) ratio, size, financial condition, and the AA credit needs. CNB's net LTD as of June 30, 2011 was 54%. Over the last 20 quarters, ending June 30, 2011, the bank's average LTD ratio was 60%. The average LTD ratio for the three other financial institutions headquartered within the AA is 65%.

Lending in Assessment Area

CNB originates a majority of its loans within its AA. We reviewed a sample of 20 agricultural loans, originated between January 1, 2009 and September 26, 2011, to determine the bank's lending performance within the AA. We identified 14 loans, 70% of agricultural loans were originated within the bank's AA. Furthermore, \$1,809,356, 75% of loan volume, was originated within the AA. The table below depicts the level of lending in and out of the bank's AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	14	70%	6	30%	20	\$1,809,356	75%	\$595,294	25%	\$2,404,650

Source: Loan Sample.

Lending to Farms of Different Sizes

The bank has a reasonable record of lending to farms of different sizes. We reviewed a sample of 20 agricultural loans to determine the bank's lending to farms of different sizes. All of the loans in this sample were located within the AA and were originated between January 1, 2009 and September 26, 2011.

CNB originated 80% by number and 58% by dollar volume to farm operations with gross revenues less than \$1,000,000. The bank's lending reasonably compares to demographic information, which shows 100% of AA farms with gross annual revenues less than \$1,000,000. The dollar volume of loans in the AA was skewed by one large loan to a borrower with gross revenues over \$1,000,000. The following table shows the breakdown of loans to farms as compared to AA demographics.

Borrower Distribution of Loans to Farms in Assessment Area		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	100%	0%
% of Bank Loans in AA by #	80%	20%
% of Bank Loans in AA by \$	58%	42%

Source: Loan Sample; 2010 geodemographic data.

Geographic Distribution of Loans

A geographic distribution analysis is not meaningful given all the CTs in the AA are middle-income geographies.

Responses to Complaints

CNB has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.