



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 09, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The City National Bank and Trust Company of Guymon
Charter Number 9964

601 North Main Street
Guymon, OK 73942-0000

Office of the Comptroller of the Currency

LUBBOCK (WEST TEXAS) Field Office
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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 and Trust Company of Guymon (CNB) has a satisfactory performance record under the Community Reinvestment Act (CRA). This is based on the following findings:

- Given the local credit needs and competition, CNB's loan-to-deposit ratio is reasonable when compared to similarly situated financial institutions. The loan-to-deposit ratio averaged 45.60 percent during the evaluation period.
- A substantial majority of CNB's loans are located within the assessment area (AA). Based on a sample of 60 loans, 96.7 percent of the number of loans and 99.7 percent of the dollar volume of loans were to borrowers within the AA.
- CNB's distribution of consumer and home loans to borrowers of different income levels is satisfactory.
- An analysis of the geographic distribution of loans was not performed because there are no low-income or moderate-income census tracts in the bank's AA.

SCOPE OF EXAMINATION

This Performance Evaluation assesses CNB's record of meeting the credit needs of the community in which it operates. We evaluated CNB using four of the five small bank performance criteria: loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes, and responses to CRA-related complaints. The fifth criterion, which is the geographic distribution of loans, was not evaluated because there are no low- to moderate-income census tracts in the bank's AA.

To evaluate CNB's lending performance, a random sample of loans was selected based on the bank's primary loan types. Primary loan types are those products that have been originated at the highest percentage by dollar and/or number of loans. Primary loan products during this evaluation period consisted of home loans and consumer loans. The loan sample consisted of 30 home loans and 30 consumer loans originated between January 2008 and June 2010.

DESCRIPTION OF INSTITUTION

CNB is a \$155 million community bank located in Guymon, Oklahoma, which is approximately 120 miles northeast of Amarillo, Texas. CNB is an intrastate bank with one banking office with a drive-up facility and 2 offsite automated teller machines (ATMs). The bank is a wholly owned subsidiary of City National Bancshares, Inc., a one-bank holding company located in Guymon, Oklahoma.

CNB offers a full range of commercial banking products and related financial services. The bank provides access to banking services through its website www.cnbguymon.com. Internet banking services include account balance inquiries, funds transfer, and bill payment services.

Bank lobby and drive-through services are provided Monday through Friday with extended drive-through services provided on Saturdays from 9:00 am to 12:00 pm. The bank has two ATMs, which accept deposits. Based on its financial condition, the local economy, product offerings, and competition, CNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the last CRA examination on January 18, 2005.

No legal impediments or other factors impede CNB’s ability to provide credit in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

As of June 2010, CNB had total assets of \$155 million, with net loans and leases comprising 38.12 percent of this total. CNB’s loan products include residential real estate, consumer, commercial, commercial real estate, agriculture and agricultural real estate. The following table details the composition of the loan portfolio as of June 30, 2010.

Loan Portfolio Composition as of June 30, 2010				
Loan Type	\$ (000)	%	# of Notes	%
Real Estate	25,855	43.31	492	29.44
Consumer	7,777	13.03	823	49.25
Commercial (including real-estate)	19,443	32.57	262	15.68
Agriculture	3,061	5.13	59	3.53
Agriculture Real Estate	3,568	5.98	35	2.10
TOTAL	59,704	100%	1671	100%

Source: June 30, 2010 Report of Condition & Bank Loan Trial Balance.

DESCRIPTION OF ASSESSMENT AREA

CNB has designated Texas County as its AA. Texas County is located in the Oklahoma Panhandle, approximately 120 miles northeast of Amarillo, Texas. Guymon is the largest city in Texas County and is the county seat. Smaller communities also located within the AA include Hooker, Texhoma, Goodwell, and Hardesty. Specific demographic data and economic data for this area are listed in the following table.

Demographic and Economic Characteristics of Texas County	
Population	
Number of Families	5,259
Number of Households	7,135
Geographies	
Number of Census Tracts	5
% Low-Income Census Tracts	0.0
% Moderate-Income Census Tracts	0.0
% Middle-Income Census Tracts	80.0
% Upper-Income Census Tracts	20.0
Median Family Income (MFI)	
2000 MFI for AA	35,517
2009 HUD-Adjusted MFI	46,400
2008 HUD-Adjusted MFI	44,000
2007 HUD-Adjusted MFI	42,400
Economic Indicators	
Unemployment Rate	2.5%
2009 Median Housing Value	61,479
% of Households Below Poverty Level	13.1

Source: 2000 Census data and HUD updated income data.

The bank's AA is comprised of five contiguous census tracts. This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on 2000 Census data, the AA has a total population of 20,107. There are 8,014 housing units in the AA, of which 60 percent are owner-occupied, 29 percent are renter-occupied, and 11 percent are vacant. Approximately 14 percent of the families in the AA are considered low-income. Moderate-income families approximate 15 percent of the population, while middle- and upper-income families comprise the remaining 71 percent. The local economy is agricultural based. The largest employer is Seaboard, a pork production and processing facility employing in excess of 4,000 individuals. Competition is high in the AA with five financial institutions located in the AA.

One community member was interviewed for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The community contact indicated that the community is in desperate need for affordable housing. The lack of affordable housing impedes the ability of the local Chamber of Commerce and Economic Development Corporation to attract new and expanding businesses to the area. The largest employer in the area, Seaboard, has a substantial number of employees that commute to Guymon everyday from towns and cities outside of Guymon due to the lack of affordable housing. The community contact also indicated that the financial institutions are cooperative and diligent in trying to meet the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate CNB's lending performance, a sample of 60 loans was reviewed. Primary loan products offered by the bank were sampled. The sample consisted of 30 consumer loans and 30 home loans. Based on the analysis, and consistent with available resources and capabilities, CNB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

CNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, local competition, and AA credit needs. This determination is based on the quarterly average loan-to-deposit ratio from March 31, 2005 through June 30, 2010 of 45.60 percent. During the evaluation period, CNB's loan-to-deposit ratio ranged from a low of 41.69 percent to a high of 50.88 percent.

CNB's average loan-to-deposit ratio is slightly less than peer due to limited loan demand within the AA. Unlike other similarly situated banks in the AA, CNB is primarily a consumer and small business lender. Loan demand within these product segments remained flat over the evaluation period, while deposit volumes steadily increased. These conditions have resulted in a declining loan-to-deposit ratio. The quarterly average loan-to-deposit ratio for banks in geographies similar to the AA is depicted below. Please note that no ranking is intended or implied.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 06/30/10)	Average Loan-to-Deposit Ratio
Bank of the Panhandle	\$108,035	63.75%
City National Bank and Trust Company of Guymon	\$154,896	45.60%
First National Bank of Texhoma	\$120,265	69.49%
First National Bank of Hooker	\$54,928	47.14%

Source: 2000 Census data and HUD updated income data

Lending in Assessment Area

CNB's lending in the AA meets the standards for outstanding performance. A substantial majority of the bank's loans are made within its AA. Our analysis found that 96.7 percent of the number of loans and 99.7 percent of the dollar amount of loans in our sample were extended within the bank's AA. The breakdown by loan category is illustrated on the following table.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	29	96.7	1	3.3	100.0	2,162,832	99.8	4,000	0.2	100.0
Consumer	29	96.7	1	3.3	100.0	282,256	98.9	3,000	1.1	100.0
Totals	58	96.7	2	3.3	100.0	2,445,088	99.7	7,000	0.3	100.0

Source: Loan sample used for CRA performance analysis

Lending to Borrowers of Different Incomes

CNB's loan portfolio reflects a reasonable distribution among borrowers of various income levels within the AA. To perform our analysis, we reviewed income information of 29 residential real estate loans and 29 consumer loans in the AA.

Consumer Loans – The distribution of consumer loans to low-income borrowers is slightly below the percentage of low-income households in the AA. However, the bank's percentage of consumer loans made to moderate-income borrowers substantially exceeds the percentage of moderate-income households in the AA. The following table shows the distribution of sampled consumer loans made to borrowers of different income levels within the AA.

Table 2B - Borrower Distribution of Consumer Loans in Texas County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	16.58	13.79	13.79	34.48	17.59	20.69	52.04	31.03

Source: 2000 Census data; Loan Sample

Residential Real Estate Loans – Residential real estate loans to low-income borrowers is significantly below the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers is slightly higher than the level of moderate-income families in the AA. Based on updated information, median family income for the area is \$46,400. Low-income families in the AA make less than \$23,200 per year. In addition, roughly 13.08 percent of families in the AA are below poverty level. Based on 2000 Census data, the median housing cost is \$61,479. Low-income individuals often do not qualify for mortgage loans at median housing values due to insufficient income levels and/or a lack of funds to cover down payments.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Texas County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Total	14.03	6.90	15.08	17.24	21.54	27.59	49.34	48.28

Source: 2000 Census data; Loan Sample

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of CNB's loans. The bank's AA consists of two middle-income census tracts. There are no low- or moderate-income census tracts in the bank's AA. Therefore, a geographic distribution analysis would not be meaningful.

Responses to Complaints

There were no complaints filed against the bank since the last CRA examination, and this has a neutral impact on the bank's performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices.