



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

City National Bank
Charter Number: 10806

209 East Brown
Post Office Box 98
San Saba, Texas 76877

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

<p>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.</p>

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 CRA performance of the **City National Bank, San Saba, Texas**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **July 1997**. 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"**

City National Bank's lending performance reflects a reasonable responsiveness to community credit needs, including low- and moderate-income borrowers. Our rating conclusion is based on the following:

- The bank's loan-to-deposit ratio is reasonable given its resources, community credit needs, and local competition.
- A majority of the bank's loans are within its assessment area.
- The bank has a very good distribution of loans among borrowers of different income levels, including low- and moderate-income individuals. The distribution of loans to businesses and farms of various sizes is also good.

The following table indicates the performance level of the **City National Bank, San Saba, Texas**, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITY NATIONAL BANK</u> 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	Not Meaningful.		
Response to Complaints	No complaints were received since the prior compliance examination.		

DESCRIPTION OF INSTITUTION

City National Bank (CNB) is a \$40 million institution owned by CNB Financial Corporation, a locally owned independent one-bank holding company. CNB operates one main office with drive-thru facilities and has been servicing the community since 1883. The bank currently employs 17 people. CNB's primary business focus is to provide a variety of banking services to the community, in particular, those related to agricultural and consumer lending needs. Loans make up about 25% of the bank's total assets. The loan portfolio consists of 24% commercial loans, 18% farm and ranch real estate loans, 17% agricultural production loans, 15% consumer loans, 7% residential loans and 19% other loans.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area. The previous CRA examination is dated June 28, 1994.

DESCRIPTION OF SAN SABA COUNTY

The bank has defined its assessment area as all of San Saba County, which includes the City of San Saba and communities of Richland Springs and Cherokee. San Saba County is located in central Texas, approximately 100 miles northwest of Austin.

According to the 1990 census, San Saba County has a population of 5,401, of which approximately 50% lives in the City of San Saba. The remainder of the county is rural and sparsely populated. The county is divided into two census tracts; both are considered moderate income. The median family income for the entire assessment area is \$18,869. This is substantially below the 1997 state non-metropolitan median family income of \$31,500¹. Income categories for the county are described in the table below.

Low Income Families	Moderate Income Families	Middle Income Families	Upper Income Families
32.10%	20.91%	13.10%	33.88%

¹Median family income is determined by the United States Department of Housing and Urban Development (HUD)

The area's economy is chiefly agriculturally based with cattle, sheep, goats, swine, and turkey raising of major significance. In addition, pecan production of from two to five million pounds annually is also a major economic source. The State of Texas is considered the most significant non-agricultural employer in the area. The Texas Youth Commission (TYC) recently opened a boys correctional facility in San Saba with an employment base of approximately 300. Due to a drought during 1996 and the resulting decline in cattle prices, the general economy is only fair. However, it shows some signs of recovery and is expected to strengthen. The current unemployment rate in San Saba County is 4.6%. This compares favorably to a statewide average of 6.1%².

We made two community contacts during the examination. One contact was a representative of a local community organization and the other a local small business owner. Through these contacts, and other general observations, it was determined that the primary needs for the community are loans for agricultural purposes, small businesses, and small consumer needs. There is also a need for housing to acclimate the growth spurred by TYC. Affordable housing needs are currently being addressed by the city and county through various grants. There is one other financial institution in San Saba County, a branch of a bank located out of Llano, Texas. Both contacts stated that the local financial institutions were making reasonable efforts in meeting the communities needs to the best of their abilities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

CNB's lending performance is satisfactory. The bank's average loan-to-deposit ratio since the previous examination is 26.95% and was 29.59% at June 30, 1997. These ratios are reasonable given the bank's resources and credit needs of the assessment area. Also, the ratios are reasonable when compared with the other local bank and to banks in the adjacent rural counties. The only other bank with an office in San Saba County, Arrowhead Bank of Llano, had a loan-to-deposit ratio of 26.86% as of March 31, 1997. As of this same time period, peer banks located in adjacent counties had loan-to-deposit ratios ranging from 68.39% to 19.92%. It is noted that the banks with higher loan-to-deposit ratios are operating out of substantially different markets than CNB.

No practices were noted which are intended to discourage applicants from applying for the types of credit offered by CNB. Management solicits credit applications from all segments of its community, including low- and moderate-income households. Furthermore, our review determined that CNB is in substantial compliance with fair lending laws. We did not detect any evidence of discriminatory practices.

²According to the Texas Employment Commission (TEC) as of June 30, 1997.

A majority of the bank's loans are in its assessment area. An analysis of all loans originated between January 1, 1995, and May 31, 1997, revealed that 83.04% of the number and 79.56% of the dollar amount of CNB's loans are in its assessment area.

The distribution of residential and consumer loans reflects, given the demographics of the assessment area, a very good penetration to individuals of different income levels. The following chart represents lending to borrowers in different income categories based on a sample of fifty loans originated since the previous examination. The sample consisted of ten home purchase loans and forty consumer loans.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics:	32.10%		20.91%		13.10%		33.88%		100%	
Count	485		316		198		512		1,511	
	#	%	#	%	#	%	#	%	#	%
Loan Type										
Residential	0	0%	1	10%	2	20%	7	70%	10	100%
Consumer	16	40%	15	38%	2	5%	7	17%	40	100%
TOTAL	16	32%	16	32%	4	8%	14	28%	50	100%

Most of the bank's commercial and agricultural lending is to small businesses and farms. We selected a sample of forty loans (20 commercial and 20 farm) originated since the previous examination. The commercial loans ranged in size from \$12,000 to \$2,448,000 in gross annual revenues. Loans for agricultural purposes ranged in size from \$6,000 to \$985,000 in gross annual proceeds. The following chart further details CNB's distribution of loans to businesses and farms of different revenue levels.

LENDING TO BUSINESSES/FARMS OF DIFFERENT SIZES										
Revenue Ranges (in thousands)	< \$100		\$100 - \$500		\$500 to \$1,000		> \$1,000		Total	
	#	%	#	%	#	%	#	%	#	%
Loan Type										
Commercial	12	60%	4	20%	1	5%	3	15%	20	100%
Agricultural	15	75%	4	20%	1	5%	0	0%	20	100%
TOTAL	27	68%	8	20%	2	5%	3	7%	40	100%

Management displays a willingness to offer flexible lending criteria to meet community credit needs. For example, our review of consumer loans determined that the bank does not have a minimum loan amount and has extended numerous small loans to community members. The bank also extends loans for home improvements that are unsecured or secured by nontraditional forms of collateral, such as automobiles. This provides for a more affordable means of obtaining a home improvement loan because there are no costs associated with real estate liens. These examples of the bank's flexible lending criteria are particularly beneficial to low-income families.

A geographic distribution analysis was not performed during this examination as it would not be meaningful. The bank is not located in a metropolitan statistical area. Also, there are no distinguishable low-income census tracts in the assessment area; therefore, plotting loans in a geographical analysis would not be representative of the specific income of individuals in specific geographies. The bank's internal analysis of loan distribution appeared reasonable and it did not appear that any areas of the community had been arbitrarily excluded.

During this evaluation period, CNB has not received any negative comments from the public regarding its CRA performance.

This document does not purport to describe all the information that may be pertinent to the bank's activities in and service to its community. The reader is encouraged to contact the bank for any further information and/or to review the bank's Public File. CNB's address is listed on the front page of this document. The telephone number is 915-372-5721.