



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 07, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**City National Bank of Colorado City  
Charter Number 5276**

**228 Elm Street  
Colorado City, TX 79512**

**Comptroller of the Currency  
Austin Field Office  
8310 Capital of Texas Highway North, Suite 250  
Austin, TX 78731**

**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.**

## TABLE OF CONTENTS

<i>Institution's CRA Rating</i> .....	<i>1</i>
<i>Description Of Institution</i> .....	<i>1</i>
<i>Description Of Mitchell County</i> .....	<i>2</i>
<i>Conclusions About Performance Criteria</i> .....	<i>3</i>

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

City National Bank's (CNB) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).

- The bank's loan-to-deposit (LTD) ratio is satisfactory and has averaged 28% for this evaluation period. Such performance is reasonable given the available loan demand in the AA.
- A substantial majority of CNB's loans are within its AA.
- CNB has demonstrated a satisfactory willingness to extend loans to individuals of varying incomes and businesses of different sizes.
- There have been no complaints with respect to CNB's CRA performance.

#### **DESCRIPTION OF INSTITUTION**

CNB is headquartered in Colorado City, Mitchell County, Texas, which is approximately 60 miles west of Abilene, Texas. CNB operates one main office with a drive-through facility. Three automated teller machines (ATMs) are available in Colorado City, with one being located at the drive-through facility.

CNB is 100% owned by City National Bancshares Inc. (CNBI), a two-tiered one-bank holding company (HC), which includes the intermediate holding company of TM & S Bancshares. This HC is 100% owned by CNBI in Colorado City. Total assets of CNBI, as of November 30, 2001, was \$9.2 million.

The institution's principal focus is to promote economic development in its AA through its lending programs. CNB's primary lending products include agricultural, consumer, residential, and small business loans. Total loans as of December 31, 2001, amounted to \$21.8 million, which comprise 36% of total assets. The following table reflects a detailed breakdown of CNB's loan portfolio as of December 31, 2001.

<b>Loan Type</b>	<b>Dollar Amount \$ (000)</b>	<b>% of Total Loans</b>
Real Estate (RE) Construction	6	0**
RE Farmland	831	4
RE Residential (1-4)	5,115	23
RE Nonfarm Nonresidential	901	4
Agriculture Production	4,638	21
Commercial and Industrial	3,626	17
Consumer	6,649	31
Other	24	0**
<b>Total</b>	<b>21,790</b>	<b>100.00</b>

\*\* Percentage less than 1%

Bank lobby and drive-through services are provided Monday through Friday with drive-through service being provided on Saturday as well. CNB faces strong competition from other banks headquartered in the AA as well as a Federal Land Bank located in Sweetwater, Nolan County, Texas.

#### **DESCRIPTION OF MITCHELL COUNTY**

CNB has designated all of Mitchell County as its AA. Principal cities located in the AA include Colorado City, Westbrook, and Lorraine. Specific demographic data for this area is listed below.

<b>Demographic and Economic Characteristics of AA</b>	
<b><i>Population</i></b>	
Number of Families	2,213
Number of Households	3,058
<b><i>Geographies</i></b>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	3
% Upper-Income Census Tracts/BNA	0
<b><i>Median Family Income</i></b>	
1990 MFI for AA	21,826
2000 HUD-Adjusted MFI	34,700
2001 HUD-Adjusted MFI	35,800
<b><i>Economic Indicators</i></b>	
Unemployment Rate	2.62
2001 Median Housing Value	25,961
% of Households Below Poverty Level	23.22

*BNA = Block numbering areas*

*MFI = Median Family Income*

This area is made up of three contiguous BNAs that surround and include the one-bank office located in Colorado City. Mitchell County is not located within and does not contain a Metropolitan Statistical Area (MSA). This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. A further description of the AA is presented below.

Based on 1990 Census data, Mitchell County has a combined population of 8M. There are 5M housing units in the AA of which 51% are owner-occupied, 16% are renter-occupied, and 33% are vacant. Approximately 24% of the families in the AA are considered low-income. Moderate-income families approximate 20% of the population, while middle- and upper-income families comprise the remaining 56%. Principal non-agricultural employers in Mitchell County include the Colorado City Independent School District, the Texas Department of Criminal Justice Prison System, and the Mitchell County Hospital.

We contacted two community leaders during this examination in order to gather more current information on the nature of the community and potential lending opportunities in the AA. The contacts are the Director for Economic Development for Mitchell County and a Colorado City Council member. These individuals stressed the need for affordable housing for lower-income families within the AA. There is also some pressure on economic development within the area to lure in new businesses and residents. The contacts further stated that CNB is active in the community and responsive to the credit needs in Mitchell County.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Management is performing satisfactorily and has been successful in meeting the credit needs of its AA, including LMI individuals, consistent with its resources and capabilities.

### **Loan-to-Deposit Ratio**

CNB's LTD ratio is satisfactory given its asset size, financial condition, and lending opportunities within its AA. Since the last CRA examination, the LTD ratio has increased from 27% on September 30, 1997, to 42% on December 31, 2001. The average LTD ratio over the past 18 quarters was 28%, which reflects a increase from a 26% average during the previous examination. Fluctuations within the LTD ratio are due to the cyclical nature of agricultural-related business relationships. This performance is reasonable and consistent relative to the limited lending opportunities within the area. The LTD for the bank's main competitor located in Colorado City has averaged 27%.

<b>Institution</b>	<b>Assets As Of 03/30/01</b>	<b>Average LTD Ratio %**</b>
Snyder NB	98,000	30.00
First NB Rotan	40,000	58.90
Roscoe State Bank	51,000	47.74
First Bank of West Texas	77,000	64.59
West Texas State Bank	85,000	53.10
FNB Colorado City	26,000	26.63
<b>CNB Colorado City</b>	<b>60,288*</b>	<b>27.81</b>

\* Represents total assets and LTD as of December 31, 2001.

\*\* The average LTD ratio for the six competing banks is for the period from September 1997 through September 2001 (latest date information was not available). The average LTD ratio CNB Colorado City is for the period from September 1997 through December 2001.

### **Lending in Assessment Area**

A substantial majority of the bank's loans were made within its AA. In order to assess performance for these criteria, we reviewed a sample of 25 agricultural-related, 28 consumer, and 27 residential loans originated during 1998 through December 2001. Our analysis determined that 96% of the number and 97% of the dollar amount of agricultural loans were made within the AA. We further determined that 86% of the number and 77% of the dollar amount of consumer loans were made within the bank's AA. Finally, we determined that 93% of the number and 79% of the dollar amount of residential loans were made within the AA.

<b>TOTAL LOANS REVIEWED</b>								
	<b><i>In Assessment Area</i></b>				<b><i>Out Of Assessment Area</i></b>			
<b><i>Loan Type</i></b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Agricultural	24	96	533	97	1	4	16	3
Consumer	24	86	132	77	4	14	40	23
Residential	25	93	650	79	2	7	170	21
<b><i>Total Reviewed</i></b>	<b>73</b>	<b>91</b>	<b>1,315</b>	<b>85</b>	<b>7</b>	<b>9</b>	<b>226</b>	<b>15</b>

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

The loan portfolio reflects a satisfactory distribution of consumer and residential loans among individuals of various income levels and agricultural-related businesses of different sizes within the AA. Our analysis included a sample of 25 residential, 26 consumer, and 24 commercial agricultural-related loans originated during the period of 1998 through December 2001.

The bank's penetration of residential loans to low-income households falls below demographic criteria. Our review determined that only 4% of residential loans originated were made to low-income families. Based on discussions with management and community contacts, there are very few homes available in the AA at selling prices affordable to LMI families. Residential real estate loan demand in Colorado City is soft due to the relatively slow market and lack of quality inhabitable homes available for purchase. The following charts reflect the results of our sample of residential and consumer loans originated in CNB's AA.

RESIDENTIAL REAL ESTATE								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>% of AA Families<sup>1</sup></i>	23.9		20.1		20.5		35.5	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
<b>Total</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>32</b>	<b>29</b>	<b>52</b>	<b>64</b>

Our analysis reflects good consumer loan penetration to LMI households. The largest segment of the loan portfolio is in consumer loans. Sampling indicated that a vast majority of these loans are made to low- and moderate-income households. Internal reports also indicate 13% of the number of all loans funded are under one thousand dollars. The distribution of consumer loans reviewed is reflected below.

CONSUMER								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>% of AA Households<sup>2</sup></i>	30.2		16.2		16.8		36.8	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
<b>Total</b>	<b>42</b>	<b>49</b>	<b>31</b>	<b>28</b>	<b>8</b>	<b>5</b>	<b>19</b>	<b>18</b>

CNB originates a satisfactory number of agricultural-related business loans, the vast majority of

which have been to “small businesses with revenues less than 1MM.” Management continues to focus on providing loans that will enhance the local economy. The following chart reflects our analysis of a sample of 24 agricultural-related loans made since the last Performance Evaluation.

<b>BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES</b>		
<b>Business Revenues</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
% of AA Businesses <sup>3</sup>	94.55	5.45
% of Bank Loans in AA #	95.8	4.2
% of Bank Loans in AA \$	96.2	3.8

### **Geographic Distribution of Loans**

As previously mentioned when describing the AA, all three BNAs are middle-income areas. Therefore, an analysis of loan distribution by geographic area would not provide a meaningful analysis.

### **Responses to Complaints**

No complaints relating to CRA performance have been received by CNB.

### **Fair Lending Review**

A fair lending review was performed in June 2000 in accordance with the OCC’s risk-based fair lending examination standards. The review targeted residential purchase and refinance loans originated during 1999 and 2000. That analysis revealed no evidence of illegal discrimination or disparate treatment by CNB. As a result, the OCC did not conduct a comprehensive fair lending examination in connection with this CRA evaluation.