



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 24, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The City National Bank of Taylor
Charter Number 5275

212 North Main Street
Taylor, TX 76574-3515

Office of the Comptroller of the Currency
Southern District
ADC-San Antonio – North Field Office
10001 Reunion Place, Suite 250
San Antonio, TX 78216-4133

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 the 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 Taylor's (CNBT) lending performance meets the standards for satisfactory performance in meeting the known credit needs of its community.

- CNBT's loan-to-deposit (LTD) ratio is lower than comparable banks at 37%. However, the bank's LTD is considered satisfactory considering the rural location, competition, current economic conditions, and asset size.
- The majority of loans were made within the bank's assessment area (AA). Approximately 75% of the number of loans and 56% of the dollar volume of loans were to borrowers within the AA.
- CNBT demonstrates a willingness to lend to businesses of different sizes and to families of different income levels. According to the sample, 85% of the number of loans was made to business with revenues below \$1MM. Additionally, the bank meets the standards for satisfactory performance for its penetration of residential real estate loans to low- to moderate-income (LMI) families.
- CNBT's AA does not include any low-income tracts, and therefore, the analysis was limited to performance within moderate-income tracts. The bank demonstrated excellent performance for commercial and residential real estate lending within moderate-income census tracts.

SCOPE OF EXAMINATION

CNBT 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 bank's two largest loan products as of June 30, 2011, were commercial and residential real estate. The two products represent 80% of the banks total lending.

The commercial and residential real estate lending test for CNBT covers its performance from January 2009 through October 2011, and is representative of its lending strategy since the last CRA examination dated May 1, 2007. The bank's AA includes tracts located in Williamson County, which is part of the Austin-Round Rock-San Marcos metropolitan statistical area (MSA) and therefore, is a HMDA reporter. The HMDA data was determined to be reliable through the bank's auditing process. A sample was pulled for commercial loans and HMDA data was used to assess CNTB's residential real estate portfolio.

DESCRIPTION OF INSTITUTION

CNBT is an intrastate bank headquartered in Taylor, approximately 25 miles northeast of Austin, Texas. Assets totaled approximately \$183 million as of June 30, 2011. The bank is wholly-owned by CNB Financial Corporation, Inc., a one-bank holding company. In addition to the main office, the bank has a lending center and a drive-through banking branch located in downtown Taylor. The bank operates eight automated teller machines (ATMs) in Taylor and surrounding communities including Thorndale, Granger, and Hutto. Six of the ATMs have deposit -taking capabilities.

There are no legal, financial, or other factors hindering the bank's ability to help meet the credit needs in its AA. The previous CRA examination is dated May 1, 2007, and CNBT was rated "Satisfactory" under the small bank performance criteria.

As of June 30, 2011, loans totaled approximately \$60.5 million, which is 33% of total assets. A summary of the loan portfolio is as follows:

Loan Portfolio Summary by Loan Product June 30, 2011		
Loan Category	Dollar Volume \$(000)	% of Outstanding Dollars
Commercial (Including Real Estate)	\$25,233	42%
Residential	\$23,125	38%
Agricultural/Farm	\$8,878	15%
Consumer	\$3,199	5%
Other Loans	\$84	0%
Total	\$60,519	100.0%

Full banking services are offered Monday through Friday with extended lobby hours on Friday. CNBT provides customers with standard deposit and loan products. Personal account options include FREE Reward Checking, NetAdvantage Checking, money market, and Lift Checking. Lift Checking is an account offering freedom from overdraft and insufficient funds (NSF) fees for a monthly fee of \$9.95. The bank also offers standard savings and time accounts including an Individual Retirement Account (IRA). Other products and services include VISA debit and gift cards, savings bonds, cashier checks, safety deposit boxes, onsite notary, merchant programs, remote deposit capture, online banking. Online banking gives customers instant access to their account balances, funds transfers, and bill pay. Customers may also apply for loans online using the site. Loan products include home mortgages, auto loans, lines of credit, and aviation loans.

DESCRIPTION OF ASSESSMENT AREA(S)

The Community Reinvestment Act (CRA) requires a financial institution to define the AA in which it will be evaluated. CNBT has one AA consisting of parts of Williamson County. The AA includes ten census tracts ranging from moderate- to upper-income. The CTs are located in eastern Williamson County, which is part of the Austin-Round Rock MSA. Cities located within the AA include Taylor, Granger, Hutto, and Thrall. See the table below for demographic information.

Demographic Information for Williamson County					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	10	0%	30%	60%	10%
Population by Geography	39,081	0%	27.63%	60.19%	12.18%
Owner Occupied Housing Units by Geography	10,290	0%	21.16%	65.35%	13.48%
Businesses by Geography	3,698	0%	16.01%	63.22%	20.77%
Farms by Geography	320	0%	20.31%	74.69%	5.0%
Family Distribution by Income Level	10,274	20.98%	20.80%	24.50%	33.73%
Household Distribution by Income Level	13,183	23.21%	17.26%	19.96%	39.57%
Census Median Family Income (MFI)	\$59,438	Median Housing Value		\$96,428	
HUD – Adjusted MFI: 2011	\$73,800	Households Below the Poverty Level		8.63%	
HUD – Adjusted MFI: 2010	\$73,800	Unemployment Rate		1.67%	
HUD – Adjusted MFI: 2009	\$73,300				

The city of Taylor is centrally located within the AA, which has a combined population of 39 thousand. CNBT operates in an area with a fair amount of competition. Conditions within the AA are better than the national economy with an unemployment rate of only 1.67% and a poverty level of 8.6%. The majority of the population is located in middle-income census tracts and the majority of households are considered part of the upper-income level.

Primary industries within the AA include services, retail trade, and construction. Major employers include Electric Reliability Council of Texas (ERCOT), Taylor ISD, Wal-Mart, and the City of Taylor. Of the 3,698 non-farm businesses, 95% are single location businesses with sole operations located within the AA. The majority (84%) have revenues less than \$1 million.

In conducting the evaluation of CNBT’s CRA performance, we contacted two members of the local community. A contact from the Taylor Economic Development Corporation stated that the area’s economy remains fragile, but is progressing. The contact stated the area is in need of affordable housing, as a large majority of students are considered economically disadvantaged. However, the contact was unaware of the bank’s involvement within the community outside of civic and service clubs. Additionally, a contact from the Taylor Housing Authority stated the economy is fairly stable and greatly dependent on the Austin economy. The contact had a positive perception of CNBT’s involvement within the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending Test

CNBT’s performance under the lending test is satisfactory considering the performance context and the needs within its AA.

Loan-to-Deposit Ratio

The LTD ratio has been averaged over the past 18 quarters since the previous CRA examination. CNBT’s LTD ratio averaged 37% and has remained fairly stable over the previous quarters, reaching a high of 50% in June 2008. To assess CNBT’s performance, we compared it with three other similarly situated banks. LTD ratios ranged from 39% to 63% with the average of the other institutions being 49%. CNBT’s LTD ratio ranks last. However, the bank’s LTD ratio is considered satisfactory considering its rural location, competition, current economic conditions, and asset size.

Please see the table below for a detailed comparative LTD ratio analysis.

Institution	Assets (\$000s) As of 6/30/2011	Average Quarterly LTD Ratio As of 6/30/2011
Classic Bank, Cameron, TX	\$221,683	62.85%
First Texas Bank, Georgetown, TX	\$305,170	45.72%
Citizens National Bank, Cameron, TX	\$309.732	39.01%
The City National Bank, Taylor, TX	\$183,310	36.85%

Lending in Assessment Area

The majority of the number and dollar amount of loans were made within the AA. Out of the first 20 loans reviewed in the commercial sample, five were found to be outside of the bank’s AA. Additionally, about 75% of residential real estate loans were originated to borrowers within the AA according to HMDA data. Overall, 56% of the approximately \$14 million in loans reviewed were in the AA.

Table 1 Lending in Williamson County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	35	61.40	22	38.60	57	\$2,702	37.59	\$4,487	62.41	\$7,189
Home Improvement	65	81.25	15	18.75	80	\$1,529	81.07	\$357	18.93	\$1,886
Refinance	49	79.03	13	20.97	62	\$3,033	73.53	\$1,092	26.47	\$4,125
Commercial	15	75.00	5	25.00	20	\$499	80.76	\$119	19.24	\$618
Totals	164	74.89	55	25.11	219	\$7,763	56.18	\$6,055	43.82	\$13,818

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

Residential Real Estate

The distribution of residential real estate loans reflects a satisfactory penetration among borrowers of different income levels. Based on HMDA data, loans originated to low-income borrowers are slightly below demographic data for all loan types. Low-income borrowers represent 21% of the AA, and this was exceeded or met for refinances and home improvement loans. Loans originated to moderate-income borrowers are lower than demographic data. About 21% of borrowers are moderate-income, and about 14% both home improvement and refinance loans were to moderate-income borrowers.

The following table details CNBT’s performance as compared to the percentage of households in each census tract income level.

Table 2 Borrower Distribution of Residential Real Estate Loans in Williamson County Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	20.98	14.29	20.80	5.71	24.50	11.43	33.73	37.14
Home Improvement	20.98	23.08	20.80	13.85	24.50	26.15	33.73	26.15
Refinance	20.98	20.41	20.80	14.29	24.50	24.49	33.73	34.69

Commercial Loans

The distribution of loans to businesses is satisfactory and meets the standards set forth by CRA regulations. Based on our sample, the majority of the number of loans and dollar volume of loans were made to businesses with revenues below \$1 million. Demographic data showed that about 84% of businesses in the AA had revenues below \$1 million. Only 15% of the number of loans was made to business with revenues over \$1 million, while 85% of the loans were originated to small businesses. The percentage of loans to small business as a percentage of the total dollar volume is lower at 65%.

The following table details CNBT’s performance as compared to the percentage of businesses below the \$1 million threshold.

Table 2A Borrower Distribution of Loans to Businesses in Williamson County Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	84.23%	3.19%	12.57%	100%
% of Bank Loans in AA by #	85%	15%	N/A	100%
% of Bank Loans in AA by \$	65.07%	34.94%	N/A	100%

Geographic Distribution of Loans

Residential Real Estate

CNBT’s AA does not include any low-income census tracts. Therefore, analysis was limited to the dispersion of loans within moderate-income tracts. Based on HMDA data, the geographic distribution of loans reflects excellent dispersion within moderate-income tracts. About 21% of owner-occupied housing is located in moderate-income tracts. CNBT substantially exceeded area demographics in all loan types.

See the table below for findings.

Table 3 Geographic Distribution of Residential Real Estate Loans in Williamson County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner-Occupied	% of # of Loans	% of AA Owner-Occupied	% of # of Loans	% of AA Owner-Occupied	% of # of Loans	% of AA Owner-Occupied	% of # of Loans
Home Purchase	0.00	0.00	21.17	42.86	65.35	54.29	13.48	2.86
Home Improvement	0.00	0.00	21.17	30.77	65.35	69.23	13.48	0.00
Refinance	0.00	0.00	21.17	36.73	65.35	63.27	13.48	0.00

Commercial Loans

Geographic distribution of loans to businesses in CNBT’s AA is good. Again, there are no low-income tracts located in the AA. Our analysis is limited to the bank’s performance within moderate-income tracts. The bank exceeds standards for lending to business located in moderate-income census tracts. Based on our sample, 35% of loans to businesses were made in moderate-income census tracts. Demographic data showed only 16% of businesses were located in moderate-income census tracts. CNBT displays outstanding performance in lending to businesses located in LMI census tracts.

See the table below for findings.

Table 3A Geographic Distribution of Loans to Businesses in Williamson County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	0.00	0%	16.01	35%	63.22	65%	20.77	0%

Responses to Complaints

The City National Bank of Taylor has not received any complaints or public comments regarding its CRA performance during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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