



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 08, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The City National Bank of Shenandoah
Charter Number 14057**

**116 South Blossom Street
Shenandoah, Iowa 51601**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway #110
Omaha, Nebraska 68154**

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 credit needs of its assessment area (AA). The bank's primary lending activities are to agricultural and consumer borrowers.

- CNB's lending level is satisfactory, 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 and consumers of different income levels is satisfactory.

DESCRIPTION OF INSTITUTION

CNB is a \$54 million bank located in Page County in southwestern Iowa. The bank is 97% owned by CNB Corp., a \$54 million, one-bank holding company located in Shenandoah, Iowa. CNB's only office is also located in Shenandoah, Iowa. The bank has two deposit-taking automated teller machines, both located within the bank's AA. The bank's corporate structure has not changed since the last Community Reinvestment Act (CRA) examination.

CNB offers traditional loan and deposit products. As of March 31, 2006, the bank's loan portfolio totaled 49% of total assets. The loan portfolio consisted of 49% agricultural, 22% residential real estate, 21% commercial, and 8% consumer loans based on outstanding dollars.

CNB has no legal or financial impediments that prevent it from fulfilling its obligations under the CRA. CNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated October 11, 2001.

LOAN SAMPLING AND DATA INTEGRITY

We evaluated loans originated between November 5, 2004 and May 15, 2006. We could not sample loans back to the prior CRA examination because CNB changed information technology service providers on November 5, 2004 and prior records were not converted to the new system.

The number and dollar volume of loans were broken down by CNB's internal class codes to determine the bank's primary credit products. Agricultural loans were the bank's primary credit product based on the dollar volume originated. Consumer loans were also a primary product based on the number of loans originated. The primary products are representative of the bank's business strategy. We found no problems with data integrity during our review of the loan sample. The following table shows the breakdown of loans originated and purchased since November 5, 2004.

Loan Portfolio Originations		
Loan Type	Originated Loans by Dollar	Originated Loans by Number
Agricultural Loans	50%	27%
Consumer Loans	19%	56%
Commercial Loans	15%	12%
Residential Loans	16%	5%
Total	100%	100%

Source: Bank reports.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts. The bank's AA consists of five contiguous census tracts (CTs). The bank's AA consists of CTs 9901, 9902, 9903, and 9906 in Page County and CT 9701 in Fremont County. All five (100%) CTs are middle-income geographies. Individuals can refer to the bank's CRA Public File for a map outlining the bank's AA.

According to the 2000 U.S. Census, the total population of the AA is 13,600. The 2000 U.S. Census estimated 18% of families in the AA were low-income, 18% moderate-income, 27% middle-income, and 37% upper-income. Eleven percent of the AA households are below the poverty level. The 2004 weighted average updated median family income is \$43,706 for non-metropolitan statistical areas in Iowa. The median housing value in the AA is \$59,224 and 67% of housing is owner-occupied.

The local economy is stable. Unemployment is low at less than 2%. Agriculture and related industries and some light manufacturing provide the main employment sources in the area. There are seven other similarly situated financial institutions with branches in Page and Fremont Counties. These institutions range in size from approximately \$24 million to \$602 million in total assets. These institutions, along with the Farm Services Administration and local agricultural equipment dealers, provide the primary competition to CNB.

Examiners made one community contact with a local economic development official during the CRA examination. The community contact revealed that agricultural and residential real estate loans are the primary credit needs within the community. CNB offers and originates these types of loans. The community contact felt that the credit needs of the community were being met.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's average lending level is satisfactory. This is based on the bank's loan-to-deposit (LTD) ratio, size, financial condition, and the AA credit needs. CNB's March 31, 2006 net LTD ratio was 60%. CNB's quarterly average LTD ratio for the 18 quarters ending December 31, 2005 was 53%. New senior management has been steadily increasing CNB's average annual LTD ratio since 2003. The bank also sells some residential real estate loans in the secondary market.

If the bank were to retain these loans, it would slightly increase the bank’s average LTD ratio. CNB’s average LTD ratio reasonably compares to the average LTD ratio of the seven similarly situated banks in the AA. These seven banks have an 18-quarter average LTD ratio of 69%, and a range of 43% to 92%. All banks with locations within Page and Fremont Counties were used as similarly situated banks for comparison.

Lending in Assessment Area

CNB originates a majority of its loans within the AA. We reviewed a sample of 20 agricultural and consumer loans to determine the bank’s lending performance within the AA. All of the loans were originated between November 5, 2004 and May 15, 2006.

We found that 15 loans, or 75% of agricultural and consumer loans were originated within the AA. Also, \$335,569, or 54% of loan volume, was originated within the AA. The bank originates a significant number of consumer loans. However, consumer loans are typically much smaller in size than agricultural loans. As a result we weighted our analysis towards the number of loans originated versus the volume of loans originated. The table below shows the level of lending in and out of the AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	5	50%	5	50%	10	\$265,056	48%	\$291,064	52%	\$556,120
Consumer Loans	10	100%	0	0%	10	\$70,603	100%	\$0	0%	\$70,603
Totals	15	75%	5	25%	20	\$335,659	54%	\$291,064	46%	\$626,723

Source: Loan sample.

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

CNB has a satisfactory record of lending to agricultural borrowers of different sizes and borrowers of different incomes. We reviewed a sample of 20 agricultural loans and 20 consumer loans to determine the bank’s lending performance. All of the loans in this sample were located in the AA and were originated between November 5, 2004 and May 15, 2006.

CNB originated 100% of agricultural loans by number and volume to farm operations with gross annual revenues less than \$1,000,000. CNB’s lending favorably compares to the 2002 Census of Agricultural Data, which shows 98% of AA farms with gross annual revenues less than \$1,000,000. The following table shows the breakdown of loans to farms as compared to the AA demographics.

Borrower Distribution of Loans to Farms in Assessment Area

Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms*	98%	1%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

Source: Loan sample, U.S. Census data.

* 1% of AA farms did not report revenue.

CNB's lending to borrowers of different income levels is also favorable. The bank originated 25% of its loans by number to low-income borrowers and 35% to moderate-income borrowers. Of the AA households, 24% are low-income and 17% are moderate-income. The following table shows the breakdown of loans to individuals as compared to the AA demographics.

Borrower Distribution of Consumer Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households
Consumer Loans	25%	24%	35%	17%	25%	21%	15%	38%

Source: Loan sample, U.S. Census data.

Geographic Distribution of Loans

All five CTs within the AA are middle-income. Therefore, specific analysis of geographic distribution is not meaningful.

Community Development Loans

The bank originated one community development loan during the evaluation period. A \$450 thousand line-of-credit was used for construction of a childcare facility in the AA. The childcare facility benefits low- and moderate-income individuals as roughly 35% of students qualify for the head-start program or scholarships.

Responses to Complaints

The Office of the Comptroller of the Currency and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated October 11, 2001.

Fair Lending or Other Illegal Credit Practices Review

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