



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 26, 2011

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

City National Bank of Metropolis  
Charter Number 8745

423 Ferry Street  
Metropolis, IL 62960

Office of the Comptroller of the Currency  
St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103

**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 major factors that support this rating are:

- City National Bank's (CNB) loan-to-deposit (LTD) ratio is reasonable. The quarterly LTD ratio for the 25 quarters ending June 30, 2011 averaged 69% compared to 70% for the four similarly situated community banks.
- CNB's lending within its AA meets the standard for satisfactory performance. A majority of the sampled loans, 77% of the total number and 68% of the total dollar amount, were originated in the AA.
- The geographic distribution of residential mortgage loans and business loans reflects a reasonable dispersion throughout the AA.
- The distribution of commercial loans to small businesses is also reasonable.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is a full-scope review and covers the period of April 1, 2005 through June 30, 2011. We used small bank procedures to evaluate the bank's performance under the Community Reinvestment Act (CRA). Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census demographic information.

The bank's primary loan products are consumer real estate lending and commercial lending. We selected a sample of both residential and commercial loans originated from January 1, 2008 through June 30, 2011. Our conclusions are based on this review. The residential loans selected for review included home purchase, home improvement, and home refinance transactions. CNB is not subject to the data collection and reporting requirements of the Home Mortgage Disclosure Act (HMDA).

**DESCRIPTION OF INSTITUTION**

City National Bank of Metropolis (CNB) is an intrastate community bank headquartered in Metropolis, on the Ohio River in southern Illinois. As of June 30, 2011, CNB's total assets equaled \$313 million. CNB is a wholly owned subsidiary of City National BankCorp and has no affiliated entities.

The main office and one full-service branch are located within Massac County. The main office has a drive-through and is located at 423 Ferry Street in Metropolis, Illinois. The branch also has a drive-through and is located at 2070 E. 5<sup>th</sup> Street in Metropolis, Illinois; the branch is closer to Interstate 24, which leads into Paducah, Kentucky. CNB operates seven automated teller machines (ATMs), all located in Massac County. Two of the seven ATMs are deposit-taking and located at the main bank and the branch. The other five ATMs do not accept

deposits; three of these are located in convenience stores, one in a grocery store, and one in a hospital.

CNB's primary focus is to serve consumer and commercial customers in Massac County. The bank meets these needs by providing traditional loan and deposit products and services. The bank's loan portfolio totals \$139 million, or 44% of total assets. Residential and commercial lending comprises 75% of the bank's loans. CNB's loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$ (000s)</b>	<b>Percent</b>
Residential Mortgage Loans	\$68,830	49.65%
Commercial & Commercial Real Estate	\$35,116	25.33%
Construction & Land Development	\$1,426	1.03%
Individuals	\$11,656	8.41%
Farmland and Agriculture	\$21,492	15.50%
All Other	\$102	0.08%
<b>Total</b>	<b>\$138,622</b>	<b>100.00%</b>

*\* Data obtained from the 6/30/2011 Call Report*

CNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the AA. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its AA.

CNB provides a wide range of traditional deposit and loan products. The branch is located in an area that is accessible to bank customers. Lobby and drive-up hours are set to meet customer needs. Banking hours are Monday through Wednesday from 8:30 A.M. to 3:00 P.M., Thursday and Saturday from 8:30 A.M. to 12:00 P.M., and Friday from 8:30 A.M. to 6:00 P.M. Drive-up and walk-up services are available from Monday through Friday from 8:00 A.M. to 6:00 P.M. and Saturday from 8:00 A.M. to 2:00 P.M. The main office, branch, and three cash-dispensing ATMs are located in middle-income tracts within the bank's AA. Two of the cash-dispensing ATMs are in the moderate-income tract.

The previous CRA Performance Evaluation was dated May 31, 2005. The bank received a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREA**

CNB's AA includes all of Massac County, Illinois, which is located along the Ohio River in southern Illinois, across the river from Paducah, Kentucky. The AA meets the legal requirement of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The county is generally rural in character. Based on the 2010 census, the county's population is 15,429. Approximately 37% of the county population, or 5,633 (as of 2011), reside in Metropolis, which is also the county seat. The only other significant community in the county is Brookport, with a population of 984. Four census tracts (CTs) make up Massac County: three middle-income tracts (9701, 9703, and 9704) and one moderate-income tract (9702). There are no low- or upper-income tracts within the AA.

The following table shows the demographic and economic characteristics of the AA:

<b>Demographic Information for CNB's AA (Massac County)</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	4	N/A	25.00	75.00	N/A
Population by Geography	15,161	N/A	28.26	71.74	N/A
Owner-Occupied Housing by Geography	4,921	N/A	27.88	72.12	N/A
Businesses by Geography	970	N/A	24.74	75.26	N/A
Farms by Geography	88	N/A	4.55	95.45	N/A
Family Distribution by Income Level	4,314	N/A	26.43	73.57	N/A
Distribution of low- and moderate-income families throughout AA geographies	1,882	N/A	31.93	68.07	N/A
Median Family Income	= \$43,613		Median Housing Value	= \$60,274	
HUD Adjusted Median Family Income for 2010	= \$54,600		Unemployment Rate	= 10.6%	
Households below the Poverty Level	= 15.00%				

*Source: 2000 U.S. Census and 2010 HUD updated MFI.*

The local economy is supported by tourism, agriculture, and manufacturing. Some of the major employers in the county include Harrah's Metropolis Casino (800 employees), United Barge Lines (450 employees), Honeywell International (360 employees), Massac County School District (265 employees), and Massac Memorial Hospital (235 employees). Credit needs of the community include housing, consumer loans, small business loans, and small farm loans. As of July 2011, the unemployment rate of Massac County (10.6%) is slightly higher than the unemployment rates for the state of Illinois (10%) and for the nation (9.3%). As of 2009, 16.4% of the population in the AA lives below the income poverty level.

CNB is the only community bank in Massac County. Financial institutions that also serve this market include Banterra Bank, a large bank with branches in four states; Minnesota-based Mid-Country Bank; and SIU Credit Union, based in Southern Illinois.

We conducted a community contact interview with a member of the University of Illinois Extension office. His opinion was that financial institutions are involved and active in the community. Banks are service-oriented and dedicated to serving the needs of the community, including supporting small business opportunities.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

CNB has demonstrated a reasonable level of lending within its AA. Based on a full-scope review, the bank's performance in the AA is satisfactory.

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

CNB's loan-to-deposit (LTD) ratio is reasonable. The LTD ratio meets the standard for satisfactory performance with consideration given to the credit needs of the AA, the bank's size, and its financial condition. The bank's quarterly LTD ratio for the 25 quarters ending June 30, 2011 averaged 69.29% compared to 70.25% for the four similarly situated community banks.

The bank’s quarterly average LTD ratio was below one, on a par with one, and above two of the similarly situated banks. The bank’s ratio has ranged from a high of 76.82% at September 30, 2008 to a low of 52.63% at June 30, 2011. CNB’s LTD ratio of 52.63% was below that of the other banks, which had a LTD average ratio of 68% at June 30, 2011. Significant increases in deposits have resulted in the declining LTD ratio. The deposit surge is attributed to both the above market interest rates paid by the bank on money market accounts and the general “flight to safety” during this period of financial turmoil.

**Lending in Assessment Area**

CNB’s lending within its AA meets the standard for satisfactory performance. A majority of CNB’s loans were originated within the AA. Our sample was comprised of the bank’s two primary loan products, residential real estate and commercial loans. Based on this sample, approximately 77% of the total number and 68% of the total dollar amount were originated in the AA. The residential loan distribution reflects 80% of the total number and 75% of the total dollar amount were originated within the AA. Commercial loan distribution reflects 72.5% of the total number and 63% of the total dollar amount were originated within the AA. Lending within the AA is detailed in the following table.

<b>Lending in Massac County</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	48	80.00%	12	20.00%	60	2,760,160	74.84%	927,903	25.16%	3,688,063
Commercial	29	72.50%	11	27.50%	40	3,098,276	63.26%	1,799,692	36.74%	4,897,968
Totals	77	77.00%	23	23.00%	100	5,858,436	68.23%	2,727,595	31.77%	8,586,031

*Source: Sampled home mortgage loans and business loans from 2008, 2009, 2010, and 2011.*

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

The distribution of loans to borrowers of different incomes and businesses of different sizes reflects a satisfactory performance by the bank. We analyzed the bank’s loan penetration, the demographics of the AA, and the current economic conditions of the community. CNB’s loan penetration among businesses of different sizes within the AA is reasonable. While CNB demonstrated a poor loan penetration for residential real estate loans among low-income borrowers, lending of such loans to moderate-income borrowers is reasonable.

Residential Real Estate Loans

The bank’s penetration of residential real estate loans to low-income borrowers is lower than the percentage of low-income families in the AA. CNB originated 6.25% of the loans selected for review to borrowers with low incomes while 22.32% of the families within the AA are considered low-income. Current economic factors inhibit lending opportunities to low-income borrowers. As of July 2011, the unemployment rate of Massac County is 10.6%, higher than the national and state unemployment figures. Also, as of 2009, 16.4% of the population in the AA lives below the poverty level. Low-income families within the AA have a maximum annual

income of only \$27,300, and median housing costs of \$60,274 within the AA make affordable housing opportunities for low-income families difficult.

The percentage of residential real estate loans to moderate-income borrowers within the AA is also lower than the percentage of moderate-income families in the AA. While moderate-income families comprise 21.30% of the population within the AA, only 14.58% of the bank’s loans were made to moderate-income borrowers. Due to the current economic conditions, many families are choosing not to pursue purchasing homes or obtaining further debt. Considering current economic conditions and consumer credit needs, the bank’s lending of residential real estate loans to moderate-income families is reasonable.

<b>Borrower Distribution of Residential Real Estate Loans in Massac County</b>								
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
RRE Loans	22.32%	6.25%	21.30%	14.58%	21.16%	29.17%	35.22%	50.00%

*Source: Sampled home mortgage loans from 2008, 2009, 2010, and 2011; 2000 U.S. Census data*

**Commercial Loans**

The distribution of loans to small businesses is reasonable compared to the number of small businesses in the AA. Our sample of business loans reveals that 97% of the loans in the AA were made to small businesses (businesses with \$1 million or less in gross annual revenues). This compares favorably to the reported 82% of small businesses within the AA.

<b>Borrower Distribution of Loans to Businesses in Massac County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81.96%	2.78%	15.26%	100%
% of Bank Loans in AA by #	96.67%	3.33%	NA	100%
% of Bank Loans in AA by \$	80.42%	19.58%	NA	100%

*Source: Sampled business loans from 2008, 2009, 2010, and 2011; and Dunn & Bradstreet demographic data.*

**Geographic Distribution of Loans**

The geographic distribution of residential mortgage loans and business loans reflects a reasonable dispersion throughout the AA.

**Residential Real Estate Loans**

CNB’s distribution of residential mortgage loans reflects a reasonable dispersion throughout the AA. According to the US Census Bureau, 28% of the owner-occupied housing units are located within the moderate-income CT and 72% are located within the middle-income CTs. There are no low- or upper-income tracts within the AA. The bank’s dispersion of residential loans to borrowers within the moderate-income tract (27%) is in line with the demographics of the AA.

Geographic Distribution of Residential Real Estate Loans in Massac County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
RRE Loans	NA	NA	27.88%	27.08%	72.12%	72.92%	NA	NA

Source: Sampled business loans from 2008, 2009, 2010, and 2011; 2000 U.S. Census

**Commercial Loans**

The geographic distribution of business loans reflects a reasonable dispersion throughout the AA. According to Dunn and Bradstreet data, 25% of businesses were located in the moderate-income CT. The bank’s lending performance reflects that 17% of the loans sampled were located in that moderate-income CT.

Geographic Distribution of Loans to Businesses in Massac County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	NA	NA	24.74%	17.24%	75.26%	83.87%	NA	NA

Source: Sampled business loans from 2008, 2009, 2010, and 2011; and Dunn & Bradstreet demographic data.

**Responses to Complaints**

No complaints have been received by the bank or the OCC regarding the bank’s Community Reinvestment Act performance since the prior evaluation of April 1, 2005.

**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.