



PUBLIC DISCLOSURE

October 06, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The City National Bank of Metropolis
Charter Number 8745

423 Ferry Street
Metropolis, IL 62960

Office of the Comptroller of the Currency

500 N. Broadway, Suite 1700
St. Louis, MO 63102

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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support this rating of Satisfactory are:

- The distribution of loans to individuals of different income levels and to businesses of different sizes reflects excellent penetration in the assessment area (AA).
- A majority of the bank's loans were made within the AA.
- The average quarterly loan-to-deposit ratio since the last CRA evaluation is reasonable.
- The bank's community development performance demonstrates adequate responsiveness to the needs of its AA.

Scope of Examination

This Performance Evaluation of City National Bank (CNB) in Metropolis, Illinois, assesses its record of meeting the credit needs of the communities in which it operates. We evaluated CNB under the Intermediate Small Bank performance criteria, which consist of a Lending Test and a Community Development (CD) test. The Lending Test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The CD Test evaluates a bank's CD lending, qualified investments, and CD service activities.

The evaluation period covers September 27, 2011 through October 6, 2014. The Lending Test analyzed loans originated or purchased from January 1, 2012 through December 31, 2013. Conclusions regarding the bank's lending performance are based on CNB's primary loan products: residential real estate (RRE) and business loans. After our initial sampling to analyze the bank's lending inside its AA, we used only loans made in the AA to evaluate the other lending test factors. Our sample of loans inside the AA included 20 RRE loans and 20 business loans. We analyzed 2012-2013 loans against 2010 Census information. The scope for the CD Test covered the entire evaluation period.

Description of Institution

CNB is an intrastate bank and is wholly owned by City National BankCorp, a one-bank holding company located in Metropolis, Illinois. The main office and one service branch are located in Metropolis, within Massac County. Since the last CRA evaluation, CNB did not open or close branch locations. There have been no changes in the bank's corporate structure since the last CRA evaluation.

CNB operates seven automated teller machines (ATMs), all within Massac County. Six of the ATMs are located in Metropolis: at each of the two offices, at a grocery store, at a restaurant (installed May 2014), at the high school, and at the hospital. A stand-alone ATM was installed in Brookport in April 2012. The main office, branch and stand-alone ATMs are full service and accept deposits. The remaining ATMs are cash-dispensing only. The bank closed two convenience store ATMs in September 2012.

CNB offers a full range of loan and deposit products and services to its customers. CNB's business strategy focuses on residential and commercial real estate and commercial loans. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the AA it serves.

As of September 30, 2014, CNB reported total assets of \$396 million, net loans of \$155 million, and total risk-based capital of \$46 million. Net loans represented 39% of total assets and consisted of RRE loans (50%), commercial loans (26%), agriculture-related loans (16%), and consumer loans (8%).

CNB was rated "Satisfactory" at its last CRA evaluation dated September 26, 2011.

Description of Assessment Area

Management designated the bank's AA as all of Massac County. This AA is a non-Metropolitan Statistical Area (non-MSA) in southern Illinois. Based on 2010 Census information, Massac County is comprised of four middle-income census tracts (CTs). There are no low-, moderate-, or upper-income tracts within the AA. This AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Massac County was designated by the Federal Emergency Management Agency (FEMA) as a Federal Disaster Area on November 17, 2013 due to a severe weather event.

Competition is moderate. Based on FDIC data as of June 30, 2014, two large community banks, Banterra and MidCountry Bank, operate two offices in the AA. CNB has the largest deposit market share, 82%.

Major industries in the AA consist of tourism, agriculture, and manufacturing. The largest employers are Harrah's Casino, United Barge Lines, Honeywell International, Massac County School District, and Massac Memorial Hospital. Businesses with revenues of \$1 million or less make up 72% of all businesses in the AA.

The local economy has stabilized but remains stressed. The June 2014 unemployment rate was 8.9%, above the Illinois unemployment rate of 7.1% and the national unemployment rate of 6.1%. Based on 2010 Census data, 9.7% of families lived below the poverty level in the AA.

The 2010 Census data reports 71% of housing within the AA is owner-occupied. The median housing value is \$85,989. Additional demographic data is shown on the table below.

CNB Metropolis - Massac County IL

Demographic Information for Full Scope Area: CNB Metropolis - Massac County IL					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	4	0.00	0.00	100.00	0.00
Population by Geography	15,429	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	5,050	0.00	0.00	100.00	0.00
Business by Geography	925	0.00	0.00	100.00	0.00
Farms by Geography	140	0.00	0.00	100.00	0.00
Family Distribution by Income Level	4,137	20.14	20.55	24.17	35.15
Distribution of Low and Moderate Income Families throughout AA Geographies	1,683	0.00	0.00	100.00	0.00
Median Family Income		54,549	Median Housing Value		85,989
FFIEC Adjusted Median Family Income for 2013		56,200	Unemployment Rate (June 2013)		8.9%
Households Below Poverty Level		14%			

Source: 2010 US Census and 2013 FFIEC updated MFI

We determined the community’s needs by contacting a representative from a community action agency that serves the AA. Our contact did not identify any unmet credit needs and advised that CNB is involved in the community.

Conclusions with Respect to Performance Tests

LENDING TEST

CNB does a reasonable job of meeting the credit needs of its AA given the demographics, economic factors, competitive pressures, credit needs of the community, and other lending-related activity.

Loan-to-Deposit Ratio

CNB’s loan-to-deposit (LTD) ratio is reasonable given the credit needs of the AA, the bank’s size, and its financial condition. The quarterly average LTD ratio since the 2011 CRA examination is 49%. The LTD ratio has been historically lower than peer. Increases in deposits coupled with the lack of loan demand resulted in a declining LTD ratio. This ratio is lower than four similarly situated banks in the area. The quarterly average LTD ratio of these banks, with assets between \$74 million and \$686 million, ranges from 57% to 82% for the same period. As of June 30, 2014, the bank’s LTD ratio is 48%.

Lending in Assessment Area

A majority of loans by number (75%) and by dollar volume (84%) were made inside CNB’s AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
RRE	15	75%	5	25%	20	765	75%	253	25%	1,018
Commercial	15	75%	5	25%	20	3,835	86%	629	14%	4,464
Totals	30	75%	10	25%	40	4,600	84%	882	16%	5,482

Source: Sample of 20 RRE and 20 commercial loans originated between January 1, 2012 and December 31, 2013.

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

CNB’s lending distribution to borrowers of different income levels and businesses of different sizes reflects excellent penetration.

Residential Real Estate Loans

Our RRE sample indicates the borrower distribution of RRE loans originated or purchased during the evaluation period is excellent. The percentage of RRE loans made to low-income borrowers is higher than the percentage of low-income families in the AA. The percentage of RRE loans made to moderate-income borrowers meets the percentage of moderate-income families in the AA.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Loan Type								
RRE	20.1%	25.0%	20.6%	20.0%	24.2%	25.0%	35.1%	30.0%

Source: Sample of 20 RRE loans and 2010 U.S. Census Data.

Business Loans

The distribution of loans to businesses of different sizes reflects excellent penetration based on a sample of loans originated or purchased in 2012 and 2013. The percentage of loans extended to businesses with revenues of \$1 million or less (90%) exceeds the percentage of businesses with revenues of \$1 million or less (72%).

Borrower Distribution of Loans to Businesses				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.1%	3.2%	24.7%	100%
% of Bank Loans in AA by #	90.0%	10.0%	0.0%	100%
% of Bank Loans in AA by \$	84.2%	15.8%	0.0%	100%

Source: Sample of 20 business loans; 2013 Business Geodemographic Data.

Geographic Distribution of Loans

There were no low- or moderate-income geographies in the bank's current AA using 2010 census data. Therefore, an analysis would not be meaningful. The bank lends in all CTs of the AA.

Responses to Complaints

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

COMMUNITY DEVELOPMENT TEST

CNB's CD performance demonstrates adequate responsiveness to the needs of its AA through loans, qualified investments, and services. Bank management works with city and county government officials and other community representatives in the AA. Officers and employees of the bank are involved in several community service organizations.

Number and Amount of Community Development Loans

CNB originated seven CD loans to four entities and their related interests totaling \$874,380. Information regarding these loans is summarized below.

- CNB originated a CD loan totaling \$751,670 to the hospital located within the AA to construct a clinic located in the moderate-income CT during a portion of our evaluation period (2000 Census). The majority of the patients are low- and moderate-income (LMI) individuals.

- CNB originated four CD loans totaling \$72,000 to a non-profit agency serving three schools. A majority of the students at the schools are from low- and moderate-income families. The program offers academic/homework assistance, life skills, parent involvement, recreation, sports, cultural and artistic activities, and a meal.
- CNB originated a CD loan totaling \$43,501 to an individual who participated in the Federal Home Loan Bank of Chicago (FHLBC) Downpayment Plus Program, which subsidizes \$8,000 in downpayments for qualified LMI homebuyers.
- CNB originated a CD loan totaling \$7,209 to a non-profit agency to use for general funds. This agency serves LMI disabled individuals by providing housing and transportation.

Number and Amount of Qualified Investments

During the evaluation period, CNB made qualified investments totaling \$1,764,650 in the AA.

- Two investments totaling \$1,250,000 to the City of Metropolis to refinance bonds originally funding construction of water and sewer lines, an electric substation, and the purchase of a fire truck, and to pay for a study and surveys for the Metropolis riverfront redevelopment project. The City of Metropolis was located in a moderate-income CT during a portion of our evaluation period (2000 Census).
- One investment in the amount of \$500,000 to the local school district for school building improvements. The majority of students in the district are from low- and moderate-income families.
- Donations in the amount of \$14,650 to five organizations providing services to low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

CNB representatives provided CD services by:

- Providing financial literacy training to low- and moderate-income youth in the elementary school.
- Providing financial literacy training to low- and moderate-income senior adults so they can detect and avoid financial elder abuse.
- Providing financial literacy training to low- and moderate-income adults.

- Participating in FHLBC Disaster Relief Grant Program to assist individuals and businesses applying for funding assistance due to the federally declared disaster area.

Responsiveness to Community Development Needs

CNB's overall CD performance demonstrated adequate responsiveness to community needs of the AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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