



PUBLIC DISCLOSURE

AUGUST 9, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**CNB COMMUNITY BANK
RSSD# 274753**

**123 SOUTH GALWAY STREET
GREELEY, NEBRASKA 68842**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

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

Institution's CRA Rating	2
Scope of Examination	2
Description of Institution	3
Description of the Bank's Assessment Area	4
Conclusions with Respect to Performance Criteria	5
Glossary	9

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

CNB Community Bank (the bank) has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) individuals, in a manner consistent with its resources, operating philosophy, and credit needs of the community.

The bank's average net loan-to-deposit (NLTD) ratio reflects a reasonable effort to extend credit in a competitive lending market and consistent with safe and sound banking practices. In addition, a majority of the bank's lending activity occurred inside its AA. Also, the bank's distribution of loans to borrowers of different income levels and farm operations of different revenue sizes reflected a reasonable penetration based on area demographics.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was evaluated using the Federal Financial Institution Examination Council's interagency examination procedures for small banks. Three of the five core criteria used in evaluating the small bank lending performance were relevant to the review and are as follows:

- NLTD Ratio
- Lending Inside the AA
- Lending to Borrowers of Different Income Levels and to Farms of Different Revenue Sizes

Two of the core criteria were not relevant to this review and, therefore, were not evaluated. The fourth core criterion, lending to geographies of different income levels, was not applicable since the bank's AA consists of only one middle-income census tract. In addition, the bank's responsiveness to CRA related complaints, the fifth core criterion used to evaluate small bank performance, was not evaluated because the bank has not received any such complaints.

Conclusions about the three remaining performance criteria were based on data compiled from a statistically-derived sample of loan files for each major product line. The major product lines were determined through discussions with bank management, a review of the June 30, 2010 Report of Condition and Income (Call Report), and a review of the number of loan originations since the bank's last CRA examination on July 24, 2006. The two loan types selected for review were agricultural and consumer loans. The loan samples selected consisted of 28 small farm loans from a universe of 63 loans originated in a six-month period from January 6, 2009 through June 7, 2010, and 26 consumer loans from a universe of 52 loans originated since the last examination through June 7, 2010. A total sample size of 54 loans was reviewed.

To augment the evaluation, interviews were conducted with members of the local community to ascertain local economic conditions, the specific credit needs of the AA, and to evaluate the

bank's responsiveness in helping to meet such needs. A representative from the local county government and an agricultural agency were contacted during the review. Both members stated that the local banks were meeting the credit needs of the community, which are predominately loans for agricultural purposes.

DESCRIPTION OF INSTITUTION

The bank is a full-service bank with its only location in the city of Greeley, Nebraska. The bank also offers a separate cash-dispensing-only automated teller machine in Greeley. The city of Greeley, with a population of approximately 531, is the county seat and is located in the center of Greeley County in central Nebraska. The bank is owned by City National Bancshares, Inc., a one-bank holding company.

The analysis of the bank's CRA performance considers the bank's financial capacity, local economic conditions, and demographics, including the competitive environment in which the bank operates. As of the June 30, 2010 Call Report, the bank's total assets were \$18.6 million, which included loans totaling \$8.9 million and deposits totaling \$15.8 million. Based on its financial condition, size, resources, and credit product offerings, the bank has the ability to meet the credit needs of its AA. According to the Federal Deposit Insurance Corporation (FDIC) Market Share Report as of June 30, 2009, the bank held \$15.7 million in deposits and had a market share of 20.5 percent, ranking it third out of the five FDIC-insured banks operating in Greeley County. The bank is primarily an agricultural and commercial lender; however, it offers a variety of loan products to meet the area credit needs, as illustrated in Table 1. Table 1 illustrates the composition of the bank's entire loan portfolio by product type.

Loan Type	Amount (\$000)	Percent of Total
Agricultural	5,328	59.6
Commercial	1,352	15.1
Consumer	1,047	11.7
Real Estate	854	9.6
Other	353	4.0
Total Gross Loans	8,934	100.0

No legal or financial factors exist that would hinder the bank's ability to meet the credit needs of its AA. The bank's CRA performance was last evaluated on July 24, 2006, by the Office of the Comptroller of the Currency, at which time it was assigned a satisfactory rating.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's one AA is located in central Nebraska and consists of one middle-income census tract that comprises Greeley County. The city of Greeley is located approximately 50 miles north of Grand Island, Nebraska, and is in an area of Nebraska that is predominantly nonmetropolitan in nature and consists mainly of farm and ranchland operations. As such, the local economy is relatively volatile and dependent upon factors such as annual weather conditions, market prices, and government paid subsidies. Livestock production dominates the economy, with cattle and layers inventory being dominant. Agriculture is also predominant in the AA, with corn, forage, and soybeans ranking as the primary crop items by acres. According to the United States Department of Agriculture data for 2007, Greeley County has 334 farms, of which all reported revenues under \$1 million. According to Dun & Bradstreet (D&B) data, agriculture represented 29.7 percent of the industry in the bank's AA.

The total population of the bank's AA was 2,251 based on the 2009 Census data estimate. However, this is a 17.1 percent decrease from the 2000 population of 2,714. The AA is comprised of an older population with 23.2 percent of the individuals aged 65 and over, compared to the Nebraska statewide rural percentage of only 13.6 percent.

In 2000, the bank's AA had a median-family income (MFI) of \$33,811, which was much lower than the Nebraska statewide rural MFI of \$48,032. The AA also contained higher concentrations of LMI families when compared to the Nebraska statewide rural LMI families. According to the 2000 Census data, LMI families in the AA comprised 48.1 percent compared to 35.8 percent LMI families in Nebraska statewide rural areas. In addition, the families below the poverty level equaled 11.9 percent, while only 6.7 percent of the Nebraska statewide nonmetropolitan families lived below the poverty level.

Of the housing stock in the AA, 70.4 percent of the housing is owner-occupied, 19.4 percent is rental property, and 10.2 percent is vacant. The AA housing stock is older with a median age of 61 years compared to the Nebraska statewide rural median age of 35 years. In 2000, the median housing value for the AA was \$40,260 compared to \$86,900 for the Nebraska statewide nonmetropolitan area. The result is housing is more affordable in the AA than in statewide nonmetropolitan areas, with a housing affordability ratio¹ of 71.0 percent compared to 45.0 percent, respectively.

Table 2 summarizes the characteristics of the bank's AA based on the 2000 Census data and 2009 D&B data.

¹ Affordability rates are calculated using the median household income and median housing values, with the lower rates indicating less affordable housing.

**TABLE 2
BANK'S ASSESSMENT AREA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	162	22.3
Moderate-income	0	0.0	0	0.0	0	0.0	189	25.9
Middle-income	1	100.0	729	100.0	87	11.9	189	25.9
Upper-income	0	0.0	0	0.0	0	0.0	189	25.9
Total Assessment Area	1	100.0	729	100.0	87	11.9	729	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Middle-income	1,199	844	100.0	70.4	233	19.4	122	10.2
Total Assessment Area	1,199	844	100.0	70.4	233	19.4	122	10.2
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Middle-income	136	100.0	115	100.0	8	100.0	13	100.0
Total Assessment Area	136	100.0	115	100.0	8	100.0	13	100.0
Percentage of Total Businesses:			84.6		5.9		9.5	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Middle-income	73	100.0	73	100.0	0	0.0	0	0.0
Total Assessment Area	73	100.0	73	100.0	0	0.0	0	0.0
Percentage of Total Farms:			100.0		0.0		0.0	

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's record of meeting the credit needs of its AA is considered satisfactory, based on its lending performance in its designated AA. Data utilized for the analysis included the bank's performance data, area demographic information, and input obtained from members of the local community.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the reasonableness of the bank's aggregate NLTD ratio in light of performance context information, including the institution's capacity to lend, demographic and economic factors present in the AA, and the availability of lending opportunities.

The bank's NLTD ratio is considered reasonable given its size, financial condition, local economic conditions, and AA credit needs. Since the previous CRA examination, the bank's NLTD ratio averaged 54.6 percent. During this 16-quarter period, its NLTD ratios showed a slightly decreasing trend. The bank's average NLTD ratio over the most recent eight quarters (ending June 30, 2010) was 54.6 percent as well. The bank's NLTD ratio is below the 110.6 percent average of a peer bank located in the bank's AA, as well as the state and national peer group averages of 82.5 percent and 56.9 percent, respectively.

Although the bank's NLTD ratio was lower than its competitor and the peer groups, discussions with bank management indicated that the bank's loan volume, as well as deposits, has decreased since the prior examination. Bank management attributed this to several factors including the lower loan demand in Greeley where the bank has its only location and a new bank branch opening in the city offering higher deposit rates. When taking the performance context into consideration, the bank's average NLTD ratio was considered reasonable.

Lending Inside the Assessment Area

This performance criterion evaluates the concentration of loans originated by the bank within its AA. As shown in Table 3, a majority of the bank's small farm and consumer loans were originated to borrowers within the bank's AA. The bank's performance in this lending test is considered reasonable with 72.2 percent of the bank's sampled loans being made within the AA.

Lending Distribution by Income Level of Geographies

As discussed previously, this analysis was not conducted because the bank's AA only consists of one middle-income census tract.

Lending to Borrowers of Different Income Levels and Farms of Different Revenue Sizes

This core performance criterion evaluates the bank's distribution of lending to borrowers of different income levels, particularly LMI individuals, and also focuses on the bank's level of lending to farms of different revenue sizes, primarily those with gross revenues of \$1 million or less. The consumer loans were compared to the percentage of households located in the AA by income level. The bank's farm operation loans were compared to the percentage of small farms in the AA. Based on the demographics and economic conditions of the AA, the bank's distribution of loans represents a reasonable penetration among individuals of different income

levels and farms of different revenue sizes.

Consumer Loans

As illustrated in Table 3, the bank's level of lending generally reflects the AA demographics. The bank's percentage of loans to low-income borrowers at 26.7 percent is slightly below the percentage of households classified as low-income at 27.1 percent. In addition, the bank's percentage of lending to moderate-income families at 20.0 percent is also slightly below the percentage of moderate-income households in the AA at 20.1 percent. However, the bank's level of lending to borrowers of different income levels is considered reasonable when compared to area demographics.

Small Farm Loans

The bank's lending performance to small farms is considered reasonable. As shown in Table 3, 100.0 percent of the bank's agricultural loans reviewed were made to small farms with gross annual revenues less than \$1,000,000, which is consistent with the percent of small farms in the AA. The bank's commitment to small farm lending is further demonstrated by its volume of small dollar loans to small farms. Of the loans sampled, 95.8 percent were for loan amounts of \$250,000 or less, which are amounts typically needed by smaller farm operations.

**TABLE 3
SUMMARY OF LENDING PERFORMANCE**

Lending within the Assessment Area

	Inside AA				Outside AA			
	#	%	\$(000)	%	#	%	\$(000)	%
Small Farm	24	85.7	1,174	86.3	4	14.3	186	13.7
Consumer	15	57.7	150	52.1	11	42.3	138	47.9
TOTAL	39	72.2	1,324	80.3	15	27.8	324	19.7

Distribution by Borrower Income Level and Revenue Size of Farms

	% of Bank Loans				% of Small Farms			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Small Farm	100.0				100.0			
	% of Bank Loans				% of Households			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Consumer	26.7	20.0	20.0	0.0	27.1	20.1	23.0	29.8

Record of Responding to Complaints

The bank has not received any complaints pertaining to its CRA performance since the last examination; therefore, the bank's performance in responding to complaints was not assessed.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies and procedures, credit applications, loans and denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants. Furthermore, the bank has not engaged in any illegal credit practices inconsistent with helping to meet the credit needs of the community.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Consumer Loans – Loans to individuals for household, family, and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median family income (**MFI**). In nonMSA areas, the level is based on the statewide, nonMSA median family income.

Low-Income – Less than 50 percent of the area median family income

Moderate-Income – At least 50 percent and less than 80 percent of the area median family income

Middle-Income – At least 80 percent and less than 120 percent of the area median family income

Upper-Income – At least 120 percent or more of the area median family income

LMI – Collectively, low- and moderate-income families or tracts.

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Loan(s) to Farm(s) – A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.