



# LARGE BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## Public Disclosure

October 07, 2002

### Community Reinvestment Act Performance Evaluation

Central National Bank  
Charter Number: 16626

8320 West Highway 84  
Waco, TX 76712

Office of the Comptroller of the Currency

Assistant Deputy Comptroller – Austin Field Office  
8310 Capital of Texas Highway North, Suite 250  
Austin, TX 78731

**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, and should not 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

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>3</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>6</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>7</b>
<b>FAIR LENDING REVIEW .....</b>	<b>9</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>10</b>
LENDING TEST .....	10
INVESTMENT TEST .....	14
SERVICE TEST.....	15
<b>APPENDIX A: SCOPE OF EXAMINATION .....</b>	<b>A-1</b>
<b>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>B-1</b>
<b>APPENDIX C: TABLES OF PERFORMANCE DATA .....</b>	<b>C-1</b>

## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **Central National Bank (CNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Central National Bank, Waco, Texas Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

\*The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- CNB’s lending levels reflect an adequate responsiveness to credit needs in its assessment areas (AAs).
- CNB’s distribution of home mortgage loans by income level of geography is adequate. Distribution of home purchase loans was adequate while distribution of home improvement and refinance loans was poor.
- CNB’s distribution of small business loans by income level of geography is good.
- CNB’s distribution of home mortgage loans by borrower income level is adequate.
- CNB’s distribution of small business loans to businesses of different sizes is adequate.
- CNB originated an excellent level of community development (CD) loans in the Waco metropolitan statistical area (MSA) AA that had a positive impact on the lending test rating.
- CNB made an adequate level of qualified CD investments during the evaluation period.
- Adequate access to banking services is provided by the bank's branch network and other retail delivery mechanisms. CD services are provided to the bank's AAs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation (PE), including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-

couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A CT or a BNA delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget (OMB), with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or an MFI that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or an MFI that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose CD.

**Rated Area:** A rated area is a state or multi-state MA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state MA, the institution will receive a rating for the multi-state MA.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**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 \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or an MFI that is more than 120 percent, in the case of a geography.

## Description of Institution

Central National Bank (CNB), headquartered in Waco, Texas, is a wholly owned subsidiary of CentraBanc Corporation. The bank was chartered in 1976 and opened in 1977. CentraBanc Corporation is a Delaware corporation and a single bank holding company. The current ownership acquired the bank in 1987. At that time, the bank's name was changed from CNB Woodway/Hewitt to Central National Bank.

CNB is an intrastate bank with total assets of \$354 million as of June 30, 2002. Net loans are reported at \$237 million, and Tier One Capital is at \$26.5 million or approximately 7.5% of total assets. The loan-to-deposit (LTD) ratio was 76.31%, with gross loans representing 67% of total assets. The loan portfolio consists of 58% loans secured by real estate, 32% commercial loans, 7% loans to individuals, and 3% to other loans. CNB's primary strategic focus is Commercial Lending.

All four of the bank's branches are located in the bank's AAs, which consist of all of the 53 CTs in McLennan County and various CTs in Bell and Williamson counties. Nineteen tracts were excluded in Bell County, which included five moderate and one low CT. The two branches located in this county are not easily accessible to the excluded tracts. One of these tracts houses a military installation, which allows only one financial institution on base premises. The AAs are contiguous and do not arbitrarily exclude LMI tracts.

There are no legal, financial, or other factors that impede CNB's ability to help meet the credit needs in its AAs.

Since the last CRA PR, CNB opened a loan production office (LPO) in September 2000, in the Bell County AA and a full-service branch in the Williamson County AA. The bank closed one automated teller machine (ATM) located in an upper income tract located in the Waco MSA AA.

The prior CRA examination is dated October 26, 1998 and the bank was assigned a "**Satisfactory**" rating under Small Bank criteria.

Refer to Appendix B: Market Profile of Full Scope Area, to review the demographic data for the bank's full scope AA.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

CNB's CRA performance was evaluated using the Federal Financial Institution Examination Council (FFIEC) Interagency Large Bank CRA Examination Procedures, pursuant to the revised CRA regulation. The evaluation included analyses of the bank's lending, investment, and service activities. Our lending evaluation included home mortgage loans and small loans to businesses. Below is a list of items used in our analysis:

- HMDA data reported for 1999, 2000 and 2001 and data collected by the bank for January 1, 2002 through June 30, 2002.
- Data for small loans to businesses reported for 1999, 2000 and 2001 and data collected by the bank for January 1, 2002 through June 30, 2002.
- We compared CNB to other lenders in the bank's AA by reviewing 2000 market share loan data for home mortgages and loans to small businesses.
- We analyzed CNB's CD lending from October 27, 1998 through October 7, 2002.
- We used demographic data from the 1990 U.S. Census to compare the bank's lending performance to the potential opportunities in its AAs. Refer to the Market Profile in Appendix B for details on demographic data.
- We analyzed CNB's CD investments and service activities using the period October 27, 1998, through October 7, 2002. Consideration was given to the number and types of qualified investments, branch locations and accessibility, alternative service delivery systems, and CD services.
- We used deposit information reported annually to the Federal Deposit Insurance Corporation (FDIC) to determine CNB's deposit market share and market presence relative to other financial institutions in its AA. The most recent deposit share information available was as of June 30, 2000.

### Data Integrity

In May 2002, we tested CNB's 1999, 2000, and 2001 reported HMDA and CRA data for accuracy. Material errors were noted in the collection and reporting of small business loan data. Numerous small business loans were not coded accurately, or were incorrectly reported. The bank corrected the data prior to this evaluation. As a result of the reporting errors, small business market share data based on 2000 Peer Small Business Data is not accurate since the data had already been compiled prior to the bank's corrections. For purposes of this examination, market share data was corrected manually by recalculating market share after first subtracting the bank's inaccurately reported data and adding the corrected data to both the bank's total loans and the AA total loans from all lenders.



## Selection of Areas for Full-Scope Review

We performed a full-scope review of the Waco MSA AA, since this area represented 86% of the bank's deposits and 68% of lending activity during the evaluation period. A limited-scope review of the bank's Bell County AA was conducted, since this area represented only 13% of the bank's deposits and 29% of lending activity during the evaluation period. The Bell County branch was opened just prior to the evaluation period and the bank has less than 1% deposit market share and home purchase market share. The bank's small business loan market share in Bell County is only 1.33%. A limited-scope review of the bank's Williamson County AA was conducted, since this area represented only 1% of the bank's deposits and 3% of lending activity during the evaluation period. The bank's branch in Williamson County was opened less than one year ago. Please refer to the table in Appendix A for more information.

## Ratings

The overall rating assigned to CNB is based primarily on the results of the full-scope review of the bank's performance in the Waco MSA AA. We weighed CNB's performance in making small business loans more heavily than its record of making home mortgage loans given the greater number and dollar volume of small business loans extended during the evaluation period. Commercial lending is the primary focus of the bank. Home purchase loans were given more weight than home improvement loans or refinance loans in the home mortgage category since significantly more home purchase loans were originated than home improvement or refinance. Loans to small farms were not considered in this evaluation since the bank originated only 3 such loans during the evaluation period. The bank also provided small business real estate secured loans for evaluation; these loans were not meaningful to this analysis.

## Community Contacts

Four community organizations were contacted in the Waco MSA Assessment Area (AA) to determine opportunities for CD. The organizations contacted consisted of one city government office, one affordable housing group and two small business development groups.

Results of the community contacts identified the following CD needs in the Waco MSA AA:

- Long-term mortgage financing for LMI families
- More flexible underwriting standards by banks for LMI families
- Financing for rehabilitation projects and programs for LMI housing needs
- Credit and loan default counseling
- Construction financing of affordable housing for LMI families
- Low-income housing tax credit programs
- Financial literacy education
- Participation in SBA 504b program
- Referrals to the area Small Business Development Center (SBDC)
- Additional financial support for the SBDC Business Resource Center for available loan programs

## Fair Lending Review

An analysis of the most recent public comments, consumer complaint information, and HMDA, small business, and small farm lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in October 1998.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

CNB's performance under the Lending Test is rated "High Satisfactory." Based on a full-scope review, the bank's lending performance in the Waco MSA AA is good.

#### Lending Activity

Refer to Tables 1 Lending Volume and 1 Other Products in Appendix C for the facts and data used to evaluate the bank's lending activity.

To analyze CNB's lending activity, we compared the bank's market rank and share of deposits and loan originations in the Waco MSA AA. Based on 2000 FDIC deposit market share data, CNB was the third largest deposit-taking financial institution in the AA, with a 9% share.

CNB's lending levels reflect an adequate responsiveness to credit needs in the AA. The bank's average LTD ratio since the prior CRA evaluation was 75.5%. The bank's deposit market share ranking in the Waco MSA AA is third with a 9.24% share. The ranking for home mortgage lending is twenty-eighth, based on 2000 HMDA market share data. CNB ranked sixth in small business lending based on corrected 2000 small business loan market share data. Market shares for both home mortgage and small business lending are less than the bank's deposit market share.

Competition for home mortgage and small business loans is significant in the AA. Over 255 lenders reported one or more HMDA loans. Lenders included large national mortgage lenders as well as non-bank entities. Forty-five lenders originated small business loans in the AA including large national lenders. One national lender dominates the market with a 37% market share.

The bank also made over \$2.5 million in CD loans, which is considered an excellent level for the bank's size and resources. Refer to the section on Community Development Lending for details.

#### Distribution of Loans by Income Level of the Geography

CNB's distribution of loans by income level of geography is good.

#### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases. Given the large volume of home purchase originations, greater emphasis was placed on the bank's performance in home purchase loans, rather than home improvement and refinance loans.

The bank's geographic distribution for mortgage-related loans within the AA is adequate. The distribution of home purchase loans is below the percentage of owner-occupied housing units for both the LMI geographies. This level of performance is considered adequate. While the bank's market share in the low-income geographies is near to its overall market share, market share in the moderate-income geographies exceeds overall share.

CNB's penetration of both home improvement and refinance loans does not meet the comparative demographics in the LMI geographies and is considered poor. The distribution of home improvement loans to LMI geographies is substantially below comparative demographics. Market share in the LMI geographies was also substantially below overall market share. The geographic distribution for refinance loans is substantially below comparative demographics for both LMI geographies. However, market share in the moderate-income geographies significantly exceeded overall market share.

The bank's penetration of multi-family loans is considered adequate.

Only 3.32% of owner-occupied housing units were located in low-income geographies so the analysis centered on moderate-income geographies. Of the 16,305 households (23% of total households in the AA) in the eleven moderate-income geographies, 33.6% of these households are low-income. Eighty percent of the low-income households in the moderate geographies live below the poverty level. This suggests that a significant number of moderate-income area households would find it difficult to qualify for mortgage loans. The availability of affordable housing in the LMI geographies is limited. There is a large supply of current housing stock in the AA that is deteriorating. Of total housing stock, 11% are currently vacant with many of those units uninhabitable. Many of these units are in LMI geographies. Census information noted that the weighted average age of homes in the moderate area geographies is considerably higher than the average age of houses in the middle- and upper-income areas. These factors suggest the continuing availability and affordability difficulties in LMI geographies.

### ***Small Loans to Businesses***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses. CNB's distribution of small business loans to geographies of various incomes is good.

The distribution of small business loans in low-income geographies exceeds the percentage of small businesses located in low-income geographies. This level of penetration is excellent. The distribution to the moderate-income geographies is below the comparative demographics, and is adequate. Although market share in low-income geographies exceeds overall market share, market share in the moderate-income geographies is below overall market share.

### **Lending Gap Analysis**

We did not find any unexplained conspicuous gaps while analyzing home mortgage and small business loans in the Waco MSA AA.

### ***Inside/Outside Ratio***

On a bank level, a substantial majority (89%) of the reported loans over the evaluation period was made within its AA. CNB's distribution of loans inside and outside its AA is excellent. By loan type, 86% of home purchase, 89% of home improvement, 92% of refinance, and 90% of small business loans were originated within the AAs.

### **Distribution of Loans by Income Level of the Borrower**

CNB's distribution of loans by income level of the borrower is adequate.

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

CNB's distribution of home mortgage loans to borrowers of different income levels in the Waco MSA AA is adequate. CNB's performance is considered adequate due to significantly low income and high poverty levels in the AA, which results in a significant number of families having difficulty meeting housing costs, including taxes, utilities, and maintenance. In addition, availability of affordable housing in the AA is limited. Refer to Appendix B for additional demographic information.

The distribution of home mortgage loans to borrowers of different income levels is adequate. CNB's distributions of home purchase, home improvement, and refinance loans to LMI borrowers are less than the comparative demographics. The lack of affordable housing, affordability issues, and deteriorating housing conditions in certain areas greatly hinder residential lending opportunities for local institutions.

The market share of home purchase loans to LMI borrowers is slightly below CNB's overall market share. The market share of home improvement and refinanced loans exceeds CNB's overall market share for low-income borrowers, while the market share to moderate-income borrowers for home improvement and refinances is below CNB's overall market share. In summary, CNB's overall market share for mortgage-related products is low due to competitive pressures in the Waco MSA AA and dominance from larger mortgage originators.

The 1990 U.S. Census indicates that 22% of AA families are designated as low-income. Additional information obtained from HUD shows that many families are simply unable to comfortably afford housing. HUD data indicates that over 33% of very low-income owners and 66% of those renters report that shelter costs exceed 50% of total household income. Rising housing costs, which include rent/mortgage, utilities, and maintenance, indicate continuing affordability difficulties for very low and low-income households. Additionally, there is a large supply of current housing stock that is deteriorating. Of total housing stock, 11% are currently vacant with many of those units uninhabitable. The continuing need for affordable housing in the area is evident by the City of Waco's ongoing efforts to address affordable housing issues. The city's goals include providing affordable housing opportunities for very low and LMI families, and the revitalization of neighborhoods through the preservation and improvement of available housing stock as well as the addition of quality housing to current supply.

### **Small Loans to Businesses**

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

CNB's distribution of small business loans to businesses of different sizes is adequate. The penetration of small business loans to businesses with revenues of \$1 million or less was significantly below comparative demographics over the entire evaluation period. However, further analysis indicated that recent penetration has improved significantly. For the first 6 months of 2002, 71% of small business loans were originated to businesses with revenues of \$1 million or less. Further, market share analysis indicates that market share to businesses with revenues of \$1 million or less exceeds overall share, demonstrating better performance versus competition relative to CNB's overall performance in the AA. In addition, 73% of the small business loans originated by the bank were for amounts of \$100,000 or less indicating that CNB makes credit available in smaller amounts.

### **Community Development Lending**

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of CD lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multifamily loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

CNB has an excellent level of CD loans in the Waco MSA AA. During the evaluation period, the bank made a total of 26 CD loans totaling \$2,559,000. These loans provide affordable housing for LMI residents, community services targeting LMI people, and loans that revitalize or stabilize LMI geographies. None of the CD loans are considered complex or innovative.

Twenty-one of the bank's CD loans totaling \$1,473,360 provided interim construction to build affordable homes. The borrower works with the City of Waco to find qualified LMI buyers to purchase the homes. The purchases were made possible through the HUD Section 8 homeownership program. These loans directly address affordable housing, which was identified as one of the greatest needs in the AA.

### **Product Innovation and Flexibility**

CNB recently committed \$1 million to a flexible program to provide 30-year fixed-rate home purchase loans to LMI borrowers. Neighborhood Housing Services of Waco, Inc. (NHS) will identify the potential borrowers and provide down payment and closing cost assistance. CNB will allow up to 100% of down payment and closing costs to be funded by NHS assistance. If the borrowers stay in the home for at least five years, NHS will forgive the down payment and closing cost assistance. To date, CNB has originated one loan totaling \$65,000 under this recently implemented affordable housing program. This program had a neutral impact on the Lending Test rating.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, CNB's performance under the Lending Test in the AAs for Bell and Williamson Counties is weaker than its overall "High Satisfactory" performance. This rating is due to the bank's weaker performance in both borrower and geographic distribution for small business and HMDA lending in LMI tracts and to LMI borrowers. Minimal weight was given lending results from Bell and Williamson Counties given the relatively short time the branches have been in operation and the bank's very limited market share of deposits and loans in those areas. Refer to Tables 1 through 13 in Appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

CNB's performance under the Investment Test is rated "Low Satisfactory." Based on a full scope review, the bank's performance in the Waco MSA AA is adequate.

Refer to Table 14 in Appendix C for the facts and data used to evaluate CNB's level of qualified investments.

During the investment evaluation period from October 27, 1998 through October 7, 2002, the bank made a moderate number but limited dollar volume of investments. Total qualified investments and grants made during the rating period equate to \$78,000. The bank also received credit for a prior period investment totaling \$60,000.

The current period investments included a \$34,104 investment in a CD purpose fund. The funds were used to purchase a mortgage loan to a moderate-income borrower. This investment is part of a total \$500,000 CNB invested in the fund. The remaining portion of the investment was allocated to purchase LMI borrower mortgage loans in the bank's Bell County AA. The remaining current period investments were donations made to local non-profit organizations that provide community services targeted to LMI individuals.

The Waco MSA has a moderate level of investment opportunities available. During the rating period, the bank did not make use of any innovative and/or complex investments to support community credit needs.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on a limited-scope review, the bank's performance under the Investment Test in the Bell County AA is not inconsistent with the bank's overall Low Satisfactory performance under the Investment Test. In the Williamson County AA the bank's performance is weaker than the bank's overall performance. The lack of investments in the Williamson County AA was not considered negatively since the bank just entered that market in 2001. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

CNB's performance under the Service Test is rated "Low Satisfactory." Based on a full-scope review, the bank's performance in the Waco MSA AA is adequate.

### Retail Banking Services

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of CNB's branch delivery system and branch openings and closings.

The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AA. The Waco MSA AA has two full-service branches. No branches are located in low- or moderate-income tracts in which 9 percent and 24 percent of the population resides, respectively. An analysis of small businesses within the AA shows that 4 percent and 23 percent, respectively, of small businesses are in the low- and moderate-income geographies. One of the banking offices is located within ten miles of all of the LMI geographies and can be easily reached by automobile. The bank offers a wide variety of loan and deposit products, most of which are available at all banking offices. Alternative delivery systems include ATMs, telephone banking, and Internet banking services. The ATMs are located at each branch location with one additional ATM located at a hospital in Waco. No branches were opened or closed since our last evaluation. Banking hours are reasonable throughout the AA. All branches offer extended hours on Fridays and the Highway 84 location in McLennan County is open on Saturdays. In addition, the branches do not have a transaction cut-off time. We could not place significant weight on the alternative delivery systems when drawing our CRA performance conclusions because no data was available to indicate how LMI geographies or individuals specifically benefited.

A bilingual employee is available in this AA to provide assistance to Spanish-speaking customers. One day per week, a loan officer goes to Quinn Campus and is available there to discuss residential or small business financing and to take applications for loans. Quinn Campus is located in a low-income geography.

### Community Development Services

CNB has demonstrated good performance in providing CD services in the Waco MSA AA based on the number of organizations served and the impact of these organizations on identified CD needs in the community. During the evaluation period, CNB provided financially related educational or technical assistance to the following organizations:

Quinn Campus Project - Two officers serve as board members for Quinn Campus, Inc. The purpose of this organization is to restore the Paul Quinn Campus, which is located in an LMI geography. The campus was deserted in 1990 when Paul Quinn College relocated to Dallas, Texas. The committee is working on projects to revitalize the surrounding neighborhood and rehabilitate the campus grounds and buildings for use in adult education and small business incubation.



Eastern Waco Economic Development Corporation - One officer serves as a board member for the corporation. The corporation was established to assist in the economic recovery of a formerly thriving business district centered on historic Elm Avenue in East Waco, a low-income geography. The corporation is currently involved in the rehabilitation of a commercial building to be leased at below market rates to attract businesses to the area.

Heart of Texas Business Resource Center Enterprise Community Investment Board - One officer serves as a board member of this organization. The primary purpose is to provide capital to small businesses within the enterprise zone, which is made up of LMI geographies, that have difficulty obtaining financing from financial institutions. The organization will also provide financing to businesses outside the enterprise zone as long as the business employs individuals residing within the enterprise zone.

In addition, officers of the bank have provided financially related educational or technical assistance to several organizations that fund or provide community services targeted to LMI individuals.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance in the Bell County and Williamson County AAs is not inconsistent with the bank's overall "Low Satisfactory" performance under the Service Test. Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>		Lending Test (excludes CD Loans): (01/01/99 to 06/30/02) Investment and Service Tests and CD Loans: (10/27/98 to 10/07/02)	
<b>Financial Institution</b>		<b>Products Reviewed</b>	
Central National Bank (CNB) Waco, Texas		Home Purchase Home Improvement and Refinance Loans Small Business Loans Community Development Loans Investments and Services Retail Products and Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>	
NA	NA	NA	
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b>		<b>Type of Exam</b>	<b>Other Information</b>
Waco MSA	#8800	Full-Scope	Includes the entire MSA – 53 census tracts in McLennan County
Killeen-Temple MSA (Bell County)	#3810	Limited-Scope	Includes 25 of 43 census tracts in Bell County and excludes all of Coryell County
Austin-San Marcos MSA (Williamson County)	#0640	Limited-Scope	Includes only 11 of 64 census tracts in Williamson County (City of Georgetown area only)

# Appendix B: Market Profiles for Full-Scope Areas

---

## Table of Contents

### Market Profiles for Areas Receiving Full-Scope Reviews

Waco MSA.....	B-2
---------------	-----

**Waco MSA**

Demographic Information for Full-Scope Area: Waco MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	53	7.55	20.75	43.40	26.42	1.89
Population by Geography	189,123	8.65	23.49	39.51	27.98	0.37
Owner-Occupied Housing by Geography	41,442	3.32	20.13	43.18	33.37	0.00
Businesses by Geography	8,764	3.97	22.60	41.99	31.18	0.25
Farms by Geography	442	0.45	10.86	54.75	33.48	0.45
Family Distribution by Income Level	48,339	21.72	17.18	21.88	39.21	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	18,829	12.26	34.06	40.31	13.36	0.00
Median Family Income (MFI)	= \$28,954	Median Housing Value		= \$49,597		
HUD Adjusted MFI for 2002	= \$46,300	Unemployment Rate**		= 4.3%		
Households Below the Poverty Level	= 20.75%					

(\*) The NA category consists of geographies that have not been assigned an income classification.

(\*\*) 2002 unemployment rate obtained from the Spring 2002 Waco Economic Outlook by Baylor Center for Business & Economic Research. Source: 1990 U.S. Census, and 2002 HUD updated MFI.

The bank has identified all of the Waco MSA as an AA. This AA consists of all 53 census-tracts located in McLennan County. Waco is the largest city in the MSA. The Waco MSA had a population of 189,123, according to the 1990 U.S. Census data. The defined AA complies with the requirements of the CRA. The bank’s activity in this AA received a full-scope review.

CNB’s main competitors include Compass Bank, Extraco Banks, NA, Guaranty Federal Bank, FSB, Bank of America, N.A., American Bank, N.A. and numerous other financial institutions and non-banking financial entities. CNB operates four full-service branches, two of which are located in the Waco MSA AA.

Based on FDIC deposit-market share data, CNB was the third largest deposit taking financial institution in the Waco MSA AA, with 9 percent market share by total deposit amount. A review of CRA and HMDA data for the current evaluation period reflect 68 percent lending activity was in the Waco MSA AA, 29 percent in the Bell County AA, and 3 percent in the Williamson County AA.

The Waco MSA is located in central Texas. Waco's economic base includes manufacturing, government, trade and services. Waco and its surrounding county have a lower population growth rate and a lower per capita income than the State, and a significantly higher poverty level. A 1.1 labor force increase in the past year contributed to the 2002 increase in the unemployment rate from 3.6 percent to 4.3 percent in 2002. Unemployment in the City of Waco in February 1995 was 5.6 percent, while the average in low-income census tracts was over 13 percent with some tracts reaching as high as 17.6 percent.

The State of Texas has approved three Enterprise Zones in the Waco area that offer State benefits to a new manufacturing employer when approved as a State of Texas Enterprise Project. New industries choosing to locate within the Enterprise Community Area of Waco will be provided development assistance through permitting and potential capital funding through the Enterprise Community Revolving Loan Fund.

Low wages and defense conversion have significantly impacted the economic strength in this area. Agriculture has also suffered in recent seasons from drought and depressed market prices.

Barriers to affordable housing in the AA include an aging housing stock in declining stages of repair, with a majority of these becoming rental units for low-income families. Very low-income households comprise 36 percent of Waco's population, of whom 3/4ths are renters. Lending institutions are reluctant to finance improvements, and the majority of local landlords have modest resources. Opportunities for the purchase of homes are similarly constrained by the difficulty of qualifying prospective purchasers. Elderly households tend not to move out, thus freeing up additional units, because of the difficulties in selling and in finding suitable alternative housing. While the population remains at a fairly-stable level, smaller household size and a larger component of low-income households increase the demand for this housing, but do so without effecting its increased upkeep or the construction of additional units. Vacant units tend to be uninhabitable units. 15 percent of the housing in LMI tracts are vacant. 48 percent of the housing in these tracts are rental units. Federal resources available include Community Development Block Grant (HUD), HOME Program (HUD), Emergency Shelter Grant (HUD), Public and Indian Housing Program-Housing Modernization, Other (HUD), and Enterprise Community/(Health and Human Services) Title 20 Grant Program.

The percentage of households below the poverty level for McLennan County is 20.75 percent. Of these households, 8667 or 60 percent are located in the LMI tracts in the AA.

Incentive development programs available in the area include 1) Building Construction Fee Waiver; 2) Commercial Building Tax Abatement; 3) Federal Enterprise Community (EC) Bond Issuance; and 4) Federal Enterprise Community (EC) Revolving Loan Fund. The first two programs offer various incentives to building or renovation projects occurring within the Brazos River Corridor and/or Public Improvement District. The Federal Enterprise Community (EC) was established with the intent of promoting activities that center around expanding the local job base, assisting business and industry in projecting future technology needs and matching residents with employment and business opportunities.

Several community contacts were made in the Waco MSA AA, which revealed a number of CD opportunities in the bank's Waco MSA AA. These include

- 1) Long term mortgage financing for LMI borrowers;
- 2) Credit and loan default counseling;
- 3) Housing rehabilitation financing;
- 4) Financial literacy education;
- 5) Construction financing for LMI families; and
- 6) Bank participation in the Small Business Administration's 504b loan program.

Information included above was obtained from the Consolidated Plan for 1995 retrieved from the HUD website, 1990 U.S. Census based demographic reports, the Waco Economic Outlook published by the Baylor Center for Business and Economic Research and the Waco Chamber of Commerce website.

## Appendix C: Tables of Performance Data

---

### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/AA. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/AA. CD loans to statewide or regional entities or made outside the bank’s AA may receive positive CRA consideration. Refer to Interagency Q&As .12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/AA column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/AA. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/AA. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.



**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/AA.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's AA. See Interagency Q&As .12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/AA column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

The last page of Table 1 and all of Table 13 are not applicable to this evaluation since the bank elected not to have consumer loans considered in this evaluation. These tables have been deleted.

**Table 1. Lending Volume**

<b>LENDING VOLUME</b>		<b>Geography: Central National Bank</b>						<b>Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002</b>				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Waco MSA	67.78	364	33,091	546	61,813	2	17	26	2,559	938	97,480	86.11
<b>Limited Review:</b>												
Bell County	28.97	211	24,791	189	27,235	1	350	0	0	401	52,376	12.81
Williamson County	3.25	10	1,301	35	8,506	0	0	0	0	45	9,807	1.09

\* Loan Data as of June 30, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community development Loans is October 27, 1998 to October 7, 2002

\*\*\* Deposit Data as of October 7, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 1. Other Products**

<b>LENDING VOLUME</b>		<b>Geography: Central National Bank</b>								<b>Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002</b>				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>														
Waco MSA	80.77	21	2,907	21	2,907	NA	NA	NA	NA	NA	NA	NA	NA	86.11
<b>Limited Review:</b>														
Bell County	15.38	4	660	4	660	NA	NA	NA	NA	NA	NA	NA	NA	12.81
Williamson County	3.85	1	475	1	475	NA	NA	NA	NA	NA	NA	NA	NA	1.09

\* Loan Data as of June 30, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 1, 1999 to June 30, 2002.

\*\*\* Deposit Data as of October 7, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: Central National Bank						Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	238	66.3	3.32	2.10	20.13	17.23	43.18	32.77	33.37	47.90	1.49	1.12	1.87	1.45	1.43
<b>Limited Review:</b>															
Bell County	119	33.15	0.00	0.00	15.96	6.72	37.22	15.97	46.82	77.31	0.50	0.00	0.00	0.11	0.79
Williamson County	2	0.56	5.20	50.00	16.71	0.00	48.45	50.00	29.64	0.00	0.03	1.61	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT		Geography: Central National Bank						Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002							
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ*** Units	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	74	79.57	3.32	0.00	20.13	6.76	43.18	50.00	33.37	43.24	4.33	0.00	0.00	5.88	4.26
<b>Limited Review:</b>															
Bell County	18	19.35	0.00	0.00	15.96	5.56	37.22	38.89	46.82	55.56	1.97	0.00	0.00	3.61	1.03
Williamson County	1	1.08	5.20	0.00	16.71	0.00	48.45	100.00	29.64	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

<b>Geographic Distribution: HOME MORTGAGE REFINANCE    Geography: Central National Bank    Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002</b>															
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	43	34.96	3.32	0.00	20.13	9.30	43.18	30.23	33.37	60.47	0.61	0.00	1.61	0.28	0.62
<b>Limited Review:</b>															
Bell County	73	59.35	0.00	0.00	15.96	2.74	37.22	24.66	46.82	72.60	0.38	0.00	0.00	0.44	0.42
Williamson County	7	5.69	5.20	14.29	16.71	14.29	48.45	28.57	29.64	42.86	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\*Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

<b>Geographic Distribution: MULTIFAMILY</b>		<b>Geography: Central National Bank</b>						<b>Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002</b>							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	9	90.00	21.46	11.11	23.74	0.00	41.78	66.67	13.01	22.22	11.1	0.00	0.00	25.0	0.00
<b>Limited Review:</b>															
Bell County	1	10.00	0.00	0.00	32.96	100.00	18.92	0.00	48.12	0.00	0.00	0.00	0.00	0.00	0.00
Williamson County	0	0.00	0.00	0.00	1.51	0.00	46.61	0.00	42.46	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\*Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

<b>Geographic Distribution: SMALL LOANS TO BUSINESSES    Geography: Central National Bank    Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002</b>															
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	546	70.91	3.97	4.03	22.60	18.32	41.99	36.08	31.18	41.58	5.01	5.56	3.85	5.61	5.75
<b>Limited Review:</b>															
Bell County	189	24.55	0.00	0.00	27.22	11.11	37.48	32.28	35.30	56.61	1.33	0.00	0.19	1.45	2.00
Williamson County	35	4.55	16.88	2.86	10.46	0.00	49.17	68.57	23.49	28.57	0.04	0.00	0.00	0.09	0.00

\* Based on 2000 Peer Small Business Data: US re-calculated using the bank's corrected 2000 small business loan data.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2001.



**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS		Geography: Central National Bank						Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002							
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	2	66.67	0.45	0.00	10.86	0.00	54.75	0.00	33.48	100.00	1.59	0.00	0.00	0.00	3.45
<b>Limited Review:</b>															
Bell County	1	33.33	0.00	0.00	17.72	0.00	36.61	100.00	45.67	0.00	15.38	0.00	0.00	40.0	0.00
Williamson County	0	0.00	3.85	0.00	20.51	0.00	63.46	0.00	12.18	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2001.

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: Central National Bank						Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share *				
	#	% of Total	% Families ***	% BANK Loans ****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	238	66.30	21.72	7.08	17.18	11.95	21.88	14.16	39.21	66.81	1.67	1.21	1.14	1.19	2.24
<b>Limited Review:</b>															
Bell County	119	33.15	20.05	0.85	14.89	6.78	19.22	20.34	45.84	72.03	0.64	0.00	0.55	0.91	0.59
Williamson County	2	0.56	18.64	100.00	17.00	0.00	21.45	0.00	42.91	0.00	0.03	0.51	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 3.62% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT			Geography: Central National Bank				Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002					Market Share *				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Families **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****						
<b>Full Review:</b>																
Waco MSA	74	79.57	21.72	5.97	17.18	7.46	21.88	16.42	39.21	70.15	4.20	6.67	2.67	6.10	3.72	
<b>Limited Review:</b>																
Bell County	18	19.35	20.05	5.56	14.89	0.00	19.22	11.11	45.84	83.33	2.04	0.00	0.00	3.70	2.42	
Williamson County	1	1.08	18.64	0.00	17.00	0.00	21.45	0.00	42.91	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 8.60% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

<b>Borrower Distribution: HOME MORTGAGE REFINANCE      Geography: Central National Bank      Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002</b>															
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>				
	#	% of Total <sup>**</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Waco MSA	43	34.96	21.72	7.89	17.18	7.89	21.88	7.89	39.21	76.32	0.71	4.76	0.00	0.56	0.53
<b>Limited Review:</b>															
Bell County	73	59.35	20.05	0.00	14.89	1.37	19.22	12.33	45.84	86.30	0.43	0.00	0.00	0.95	0.38
Williamson County	7	5.69	18.64	14.29	17.00	0.00	21.45	14.29	42.91	71.43	0.00	0.00	0.00	0.00	0.00

<sup>\*</sup> Based on 2000 Peer Mortgage Data: Southwest Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 4.07% of loans originated and purchased by Bank.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table11. Borrower Distribution of Small Loans to Businesses**

<b>Borrower Distribution: SMALL LOANS TO BUSINESSES    Geography: Central National Bank    Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002</b>									
	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share *	
MA/Assessment Area:	#	% of Total **	% of Businesses ***	% BANK Loans ****	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Waco MSA	536	70.81	86.10	55.04	73.44	14.65	11.90	5.01	7.63
<b>Limited Review:</b>									
Bell County	187	24.70	88.37	41.18	58.20	26.46	15.34	1.33	1.99
Williamson County	34	4.49	85.45	55.88	37.14	22.86	40.00	0.04	0.00

\* Based on 2000 Peer Small Business Data: US re-calculated using the bank's corrected 2000 small business loan data.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 5.68% of small loans to businesses originated and purchased by the Bank.

Table12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: Central National Bank			Evaluation Period: JANUARY 1, 1999 TO JUNE 30, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or Less		Loans by Original Amount Regardless of Farm Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK <sup>****</sup> Loans	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Waco MSA	2	66.67	94.57	100.00	100.00	0.00	0.00	1.59	1.79
<b>Limited Review:</b>									
Bell County	1	33.33	92.52	100.00	0.00	0.00	100.00	15.38	20.00
Williamson County	0	0.00	93.59	0.00	0.00	0.00	0.00	0.00	0.00

<sup>\*</sup> Based on 2000 Peer Small Business Data: US.

<sup>\*\*</sup> Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

<sup>\*\*\*</sup> Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

<sup>\*\*\*\*</sup> Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by Bank.

**Table 14. Qualified Investments**

<b>QUALIFIED INVESTMENTS</b>		<b>Geography: Central National Bank</b>				<b>Evaluation Period: OCTOBER 27, 1998 TO OCTOBER 7, 2002</b>			
MA/Assessment Area:	Prior Period Investments *		Current Period Investments		Total Investments			Unfunded Commitments **	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Waco MSA	1	60	26	78	27	138	22.81	0	0
<b>Limited Review:</b>									
Bell County	0	0	2	467	2	467	77.19	0	0
Williamson County	0	0	0	0	0	0	0	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

<b>DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS</b> Geography: CNB Evaluation Period: OCTOBER 27, 1998 TO OCTOBER 7, 2002																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Waco MSA	86.10	2	50	0.00	0.00	50.0	50.0	0	0	0	0	0	0	8.65	23.49	39.51	27.98
<b>Limited Review:</b>																	
Bell County	12.81	1	25	0.00	0.00	0.00	100	0	0	0	0	0	0	0	21.28	36.33	42.39
Williamson County	1.09	1	25	0.00	0.00	100	0.00	1	0	0	0	1	0	8.19	14.72	50.22	26.87



