



PUBLIC DISCLOSURE

March 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Beeville
Charter Number 4238
1400 E. Houston Street
Beeville, Texas 78104**

Supervisory Office:

**Office of the Comptroller of the Currency
San Antonio South Field Office
9601 McAllister Freeway, Suite 200
San Antonio, Texas 78216-4605**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of Beeville, Beeville, Texas**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 29, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

First National Bank of Beeville (FNB-B) is responsive to the credit needs of the community including low- and moderate-income areas and individuals, and small businesses. This is evidenced by the following:

- ! The loan-to-deposit ratio is reasonable given FNB-B’s size, financial condition, and credit needs of its assessment areas. The bank’s loan-to-deposit ratio has averaged 32 percent over the past fourteen quarters and is comparable to similarly situated institutions in the assessment areas.
- ! Both the number and dollar volume of loans made inside the bank’s assessment areas are reasonable and satisfactorily address the credit needs of the community.
- ! The distribution of borrowers reflects satisfactory penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- ! The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- ! There have been no consumer complaints filed regarding the bank’s CRA performance during this evaluation period.

The following table indicates the performance level of First National Bank of Beeville with respect to each of the five performance criteria.

FIRST NATIONAL BANK OF BEEVILLE PERFORMANCE LEVELS			
SMALL INSTITUTION ASSESSMENT CRITERIA	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		T	
Lending in Assessment Area		T	
Lending to Borrowers of Different Incomes and Businesses of Different Sizes		T	
Geographic Distribution of Loans		T	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

FNB-B, a \$74 million institution located in Beeville, Texas, is a wholly-owned subsidiary of the one bank holding company, First Beeville Financial Corporation. Its main office is located in Beeville, Texas, approximately 70 miles northeast of Corpus Christi, Texas, and 90 miles south of San Antonio, Texas. A full-service facility, opened in October 1994, is located in Yorktown, about 60 miles northeast of Beeville, and halfway between San Antonio and Victoria, Texas. Automated teller machines are located at both locations.

The bank's primary focus is small business, real estate, and consumer lending. In addition, they provide a wide array of other loan and deposit products. Strong competition exists from the numerous financial institutions in the assessment areas. These institutions include national banks, state banks, credit unions, and finance companies.

With a total outstanding balance of \$22 million, the loan portfolio represents about 30 percent of total assets at December 31, 1998. Composition of the loan portfolio, based on these outstanding balances, is described below:

- | | | | |
|--------------|-----|----------------------------|-----|
| • Farmland | 28% | • Commercial Real Estate | 19% |
| • Commercial | 17% | • 1 - 4 Family Residential | 14% |

- Consumer 12%
- Agricultural 10%

There are no legal, financial, or other factors that impede the bank’s ability to meet the credit needs of its assessment areas. The previous CRA examination, dated August 21, 1995, resulted in a “Satisfactory” rating.

DESCRIPTION OF THE TWO ASSESSMENT AREAS

FNB-B designated two assessment areas (AAs). The first AA includes all of Bee County. It is not located in a Metropolitan Statistical Area (MSA). Bee County includes six block-numbering areas (BNAs) that are further described as one moderate- and five middle-income BNAs. There are no low- or upper-income BNAs in this AA. By income level, the percentage of families in this AA includes: 26 percent low-income, 15 percent moderate-income, 21 percent middle-income, and 38 percent upper-income.

According to the 1990 U.S. Census, the population for Bee County is reported at 25,135 with a statewide non-metropolitan median family income (MFI) of \$24,586. Annually, the Department of Housing and Urban Development (HUD) updates the MFI. For 1998, the MFI was updated to \$32,100. The local economy is considered stable. Major employers include the state prison system, the community college, the independent school districts, and retail businesses. The Texas Workforce Commission reports that Bee County had a 6.4 percent unemployment rate as of February 1999.¹

The second AA comprises three BNAs in DeWitt County that include the city of Yorktown and the surrounding community. These BNAs are further described as one moderate- and two middle-income BNAs. There are no low- or upper-income BNAs in this AA. By income level, the percentage of families in this AA includes: 26 percent low-income, 19 percent moderate-income, 19 percent middle-income, and 36 percent upper-income. The remaining two BNAs in DeWitt County that are not part of this bank’s AA are better and more reasonably served by the financial institutions located in Cuero, Texas, which is the county seat of DeWitt County.

According to the 1990 U.S. Census, the population for this AA is reported at 11,315 with a MFI of \$24,856. For 1998, HUD updated the MFI to \$32,100. The local economy is considered stagnant to declining. Limited business growth opportunities exist. The one major employer in town, an oilfield tool manufacturing firm, started laying off employees as oil prices fell. The Texas Workforce Commission reports that DeWitt County had a 5.1 percent unemployment rate as of February 1999.¹

These two assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

¹ The Texas Workforce Commission noted the state unemployment rate was 4.7 percent. The United States unemployment rate was also at 4.7 percent for the same time frame.

One community contact in Yorktown was performed in conjunction with this evaluation. Earlier this year, a community contact was performed in Beeville in conjunction with an examination of another national bank. Both contacts indicated the credit needs in their communities were met by the various financial institutions. The contact in Beeville stated that additional housing, of all kinds, is the community's primary need. The contact in Yorktown stated the major need is business growth and development. Both contacts stated that all banks in their area, including FNB-B, are active within the community and provide needed community services.

SAMPLING INFORMATION

Examiners used loan samples to assist in the evaluation of certain performance factors. Although the previous CRA examination was dated August 21, 1995, our loan sample consisted of recently funded loans (January 1, 1998 through December 31, 1998). Most of our information was obtained from bank-generated reports. Based on the bank's overall lending activity, a sample of 95 loans was selected to validate the accuracy of these reports. This sample consisted of 34 residential real estate, 17 consumer, and 44 small commercial business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB-B satisfactorily meets the credit needs, as identified by the community contacts, of its AA, including low- and moderate-income individuals and small businesses, consistent with its resources and capabilities.

! Loan to Deposit Ratio

FNB-B's loan-to-deposit ratio meets the standard for satisfactory performance and is comparable to other similar institutions in the area. At December 31, 1998, the loan-to-deposit ratio stood at 32 percent. Since the prior CRA examination of August 1995, it has averaged 33 percent (quarterly average) ranging from a low of 29 percent to a high of 34 percent. The average loan-to-deposit ratio for the four other comparable banks in the AA was 39 percent. These ratios ranged from 29 percent to 58 percent.

! Lending in the Assessment Areas

FNB-B meets the standards for satisfactory performance of this criterion with a majority of loans extended within the two assessment areas. Details for each assessment area are noted below.

Bee County, Texas Assessment Area

A majority of loans are extended within this AA. A review of a sample of residential, consumer, and commercial loans originated in 1998 indicates a reasonable percent of the number and dollar volume were extended within the bank's AA. Our sample included 510 loans totaling \$11.7 million. The table on the

following page shows loans made in the AA by loan type.

Loans in Bee County Assessment Area				
Loan Type	Number	Percent	Amount (000's)	Percent
Residential	29	97	1,110	98
Consumer	385	85	4,213	52
Commercial	20	80	6,349	90
TOTALS:	434	85	11,672	72

Note: Dollar amounts are stated in thousands of dollars.

In the above table, consumer loans include real estate loans that are not 1-4 family residential loans and commercial loans that are not in a business name. Because of this definition, the consumer loan type is skewed by one real estate loan totaling \$1.1 million that is not a home loan. If this loan was excluded from the consumer sample, then the amount percentage would increase to 66%, with the total dollar amount percentage increasing to 78%

Yorktown, Texas Assessment Area

A majority of loans are extended within this AA. A sample of residential, consumer, and commercial loans originated in 1998 indicates a reasonable percent of the number and dollar volume were made within the bank's AA. Our sample included 202 loans totaling \$2 million. The table below shows loans made in the AA by loan type.

Loans in Yorktown Assessment Area				
Loan Type	Number	Percent	Amount	Percent
Residential	4	100	87	100
Consumer	151	84	952	87
Commercial	15	79	763	89
TOTALS:	170	84	1,802	88

Note: Dollar amounts are stated in thousands of dollars.

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

Our loan sample indicated the distribution of borrowers reflects a reasonable penetration among individuals of different income levels and business of different sizes. We concentrated on the number of loans, as it is reasonable that lower-income families are likely to borrow smaller dollar amounts than upper-income families. The same would be true for commercial loans, as larger businesses generally require a higher lending base than smaller businesses. Details for each assessment area are listed on the following pages.

Bee County, Texas Assessment Area

FNB-B meets the standards for satisfactory performance of this criterium with good penetration of loans to low- and moderate-income individuals and small businesses. The distribution generally reflects the income characteristics of the AA. A comparison of our loan sample to the AA demographic data is detailed in the tables below.

Loan Sample Distribution by Income Group - Bee County Assessment Area										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	26%		15%		21%		38%		100%	
# of Families	1,728		999		1,344		2,450		6,521	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	91	20	104	23	67	15	193	42	455	100
Residential	1	3	7	23	3	10	19	64	30	100
Total	92	19	111	23	70	14	212	44	485	100
Loan Type	\$	%	\$	%	\$	%	\$	%	\$	%
Consumer	187	2	546	7	237	3	7,086	88	8,056	100
Residential	13	1	120	11	83	7	916	81	1,132	100
Total	200	2	666	7	320	3	8,002	88	9,188	100

Note: Dollar amounts are stated in thousands of dollars.

Lending to Businesses and Farms of Different Sizes - Bee County Assessment Area												
Revenue Ranges (000's)	<\$100		\$100-\$250		\$250-\$500		\$500-\$1,000		>\$1,000		Totals	
	#	%	#	%	#	%	#	%	#	%	#	%
Businesses	2	14	3	22	6	43	1	7	2	14	14	100
Farms	6	55	2	18	2	18	1	9	0	0	11	100
Totals	8	32	5	20	8	32	2	8	2	8	25	100

Note: Dollar amounts were not included in the above table as they would not have been meaningful.

Yorktown, Texas Assessment Area

FNB-B meets the standards for satisfactory performance of this criterium with good penetration of loans to low- and moderate-income individuals and small businesses. The distribution generally reflects the income characteristics of the AA. A comparison of our loan sample to the AA demographic data is detailed in the tables below.

Loan Sample Distribution by Income Group - Yorktown Assessment Area										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	26%		19%		19%		36%		100%	
# of Families	779		570		564		1,071		2,984	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	29	16	55	31	62	35	33	18	179	100
Residential	0	0	2	50	0	0	2	50	4	100
Total	29	16	57	31	62	34	35	19	183	100
Loan Type	\$	%	\$	%	\$	%	\$	%	\$	%
Consumer	39	4	155	14	480	44	426	38	1,100	100
Residential	0	0	38	44	0	0	49	56	87	100
Total	39	3	193	16	480	41	475	40	1,187	100

Note: Dollar amounts are stated in thousands of dollars.

Lending to Businesses and Farms of Different Sizes - Yorktown Assessment Area												
Revenue Ranges (000's)	<\$100		\$100-\$250		\$250-\$500		\$500-\$1,000		>\$1,000		Totals	
	#	%	#	%	#	%	#	%	#	%	#	%
Businesses	5	71	0	0	2	29	0	0	0	0	7	100
Farms	12	100	0	0	0	0	0	0	0	0	12	100
Totals	17	89	0	0	2	11	0	0	0	0	19	100

Note: Dollar amounts were not included in the above table as they would not have been meaningful.

! Geographic Distribution of Loans

FNB-B has reasonable geographic distribution of lending throughout its assessment areas. A limited analysis of the geographic distribution of lending in the Bee County AA was performed since five of the six BNAs are middle-income. The one moderate-income BNA is located in northern Bee County. This area is rural and contains several large farms with limited loan demand. Our sample of consumer and residential real estate loans made in this AA revealed several loans made to individuals in the moderate-income BNA.

A limited analysis of the geographic distribution of lending in the Yorktown AA was performed as it only included one moderate-income BNA. (The other two are middle-income BNAs.) The moderate-income BNA is located in mid-DeWitt County. It includes the communities of Westhoff and Arneckeville. Most loans are made in the city of Yorktown, as the remainder of the AA is sparsely populated with a substantial majority of the geography consisting of improved ranch land and some improved farmland. Our sample of consumer and residential real estate loans made in this AA revealed several loans made to individuals in the moderate-income BNA.

! Response to Complaints

FNB-B has not received any complaints or comments from the public regarding its CRA performance during this evaluation period.

! Other

An analysis of loan denials for 1998 revealed they were supported and consistent with safe and sound banking practices. Based on the loans sampled during our examination, we did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations. No practices were detected that would discourage applicants from applying for the types of credit offered by the bank.

This document does not purport to describe all information that may be pertinent to First National of Beeville's activities in, and service to, its community. The reader is encouraged to contact the bank for further information wanted and/or to review the bank's Public File. The bank's address is listed on the front of this document. The telephone number is (361) 358-1530.