



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 26, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Mission National Bank
Charter Number 23730**

**420 N. Weidner
San Antonio, TX 78233**

**Comptroller of the Currency
San Antonio North Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio, Texas 78216-4160**

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 Mission National Bank, San Antonio, TX as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 26, 2001. 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.

The Mission National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank makes a reasonable amount of its loans within the assessment area (AA).
- The geographic distribution of loans is reasonably dispersed throughout the AA.
- The bank's loan-to-deposit ratio is satisfactory.
- There are no consumer complaints with respect to the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Mission National Bank (MNB), a \$30 million financial institution, was founded in March 1999. The bank has two locations in San Antonio, Texas. The bank operates one main office and a branch with drive thru facilities at each. The bank also owns one automatic teller machine that is located in front of the branch office. It is a full service bank whose primary focus is serving the north central and northeast portions of San Antonio, along with ten surrounding bedroom communities. Management and the Board's business emphasis is on small businesses, executives, and interim construction lending. Competition is strong with six other community banks, four regional banks, two large credit unions, and several finance companies.

As of December 31, 2000, net loans represent 68% of MNB's total assets. A summary of the loan portfolio is as follows:

Loan Portfolio Composition As of December 31, 2000		
Loan Category	\$ (000)	%
Commercial Real Estate Loans	7,552	36
Commercial Loans	8,135	39
Residential Real Estate Loans	2,186	11
Consumer Loans	2914	14
Total	20,787	100

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA. This is the first CRA examination since the bank's opening in March 1999.

DESCRIPTION OF ASSESSMENT AREA

MNB's AA consists of parts of Bexar, Comal, and Guadalupe counties. It includes 61 census tracts. Two census tracts are low-income, one is moderate-income, 23 are middle income, and 35 are upper-income. The AA consists of the north central and northeast portions of San Antonio along with ten surrounding bedroom communities. The ten communities are Cibolo, Converse, Garden Ridge, Kirby, Live Oak, Marion, Schertz, Selma, Universal City, and Windcrest. Randolph Air Force Base, referred to as the "Show Place of the U.S. Air Force," serves as the anchor for the communities. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The population of the AA is approximately 329,240, and is based on the 1999 census data. The median housing value is \$78,847 and the median year built is 1973.

Economic conditions are currently good. San Antonio and the surrounding communities are growing, have low unemployment, and are in one of the fastest growing Metropolitan Statistical Areas (MSA).

The AA includes six independent banks which have offices within 15 miles of the bank, branches of three large community banks (Broadway National Bank, Frost Bank, and Jefferson State Bank), and three super regional banks (Wells-Fargo, Bank of America, and Bank-One). The bank also competes with three credit unions, and one is the largest in San Antonio. Tourism, service providers, and the military bases continue to be a strong source of employment for the AA. Construction activity is active.

The 2000 weighted-average median family income for the AA is \$42,335. Of all families living in the assessment area, 12% are low-income, 13% are middle-income, 18% are moderate-income, and 57% are upper-income.

We conducted a community contact with a city business leader in Live Oak, Texas. The contact revealed no unmet credit needs.

SAMPLING INFORMATION

Our review focused on three of MNB's main product lines: consumer loans, commercial loans, and commercial real estate loans. In each of the three main product lines, we sampled 20 loans where the bank collected income information. For the *Lending to Borrowers of Different Incomes* and *Geographic Distribution of Loans* analyses, we omitted the loans made outside of the AA. The bank made all loans sampled in either 1999 or 2000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the AA.

Loan-to-Deposit Ratio

Institution	Assets \$ (000) as of 12/31/00	Average LTD Ratio
Clear Lake National Bank	51,492	67%
Intercontinental NB	77,890	78%
Plaza Bank	56,224	67%
Schertz Bank & Trust	35,070	63%
Mission National Bank	30,341	55%

Of the five area community banks listed above, MNB has the lowest average loan-to-deposit ratio. This is attributable to the fact that MNB opened for business in March 1999, and the loan-to-deposit (LTD) ratio at that time was 16%. During the same period, three of the banks had average loan-to-deposit ratios ranging from 57% to 79%. Clear Lake opened for business in the second quarter of 1999, and started with more assets and a higher LTD. Clear Lake owners purchased the local loans

and deposits of the former Clear Lake National Bank to begin the new Clear Lake National Bank.

Date	Total Loans	LTD Ratio
December 31, 1999	10,574	52%
March 31, 2000	13,316	57%
June 30, 2000	15,510	66%
September 30, 2000	17,472	67%
December 31, 2000	20,787	76%

As noted above, MNB's actual loan-to-deposit ratio has shown an increasing and positive trend since December 1999. From December 31, 1999 to December 31, 2000, the loan-to-deposit ratio has increased from 52.3% to 75.6%, an increase of 44.6%. Over the same period, total loans increased from \$10.6 million to \$20.8 million, an increase of almost 97%. As of December 31, 2000, MNB's actual loan-to-deposit ratio compares favorably with the other four area community banks that have actual loan-to-deposit ratios ranging from 66% to 80%.

Lending in the Assessment Area

Based on loan samples of consumer, commercial, and real estate loans, MNB extends half of its loans within the AA and half of its loans outside. Management is working on ways of increasing lending within the bank's AA. The following table shows the bank's lending pattern in and out of the AA by loan type.

Lending In & Out of the Assessment Area								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	% by #	\$ (000)	% by \$	#	% by #	\$ (000)	% by \$
Commercial	6	75	294	34	2	25	563	66
Commercial RE	6	43	2,058	64	8	57	1,180	36
Consumer	10	45	518	69	12	55	235	31
Residential RE	8	50	976	57	8	50	729	43
Total	30	50	3,846	59	30	50	2,707	41

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

MNB meets the standards for satisfactory performance with a reasonable distribution of loans to individuals with different income levels and businesses of different sizes. The bank has a good record of consumer lending to low- and moderate-income borrowers. Thirty percent of the consumer loans made in the AA were made to low- and moderate-income borrowers, compared to 27% of the households in the AA falling in the same categories. Management has indicated a desire to do more lending to low- and moderate-income borrowers. The distribution reflects the income characteristics and commercial lending activities to small businesses in the AA. The following tables present a comparison of the income information to the AA demographic data. The tables include loans made by the bank in 1999 and 2000. Dollar amounts are in thousands.

Distribution of Borrowers by Income Level				
Consumer Loans				
Borrower Income Level	Low	Moderate	Middle	Upper
% of AA Households	14	13	18	55
#	3	3	7	7
% of #	15	15	35	35
\$ (000)	34	31	107	486
% of \$	5	5	16	74

The bank adequately lends to businesses of different sizes, particularly small businesses. Businesses with annual revenues of less than \$1 million are small businesses. MNB made 15 of the 20 business loans we sampled to businesses with less than \$1 million in gross annual revenues. The table below illustrates the lending distribution in the AA.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (NON-FARM)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	88	12
% of Bank Loans in AA by #	75	25
% of Bank Loans in AA by \$	52	48

Geographic Distribution of Loans

Although the level of consumer lending in low- and moderate-income tracts is nonexistent, MNB's geographic distribution of loans throughout the AA is reasonable. This zero level of lending is due to MNB's geographic location, the competition in the low- and moderate- income areas, and the bank's primary emphasis on small business lending instead of consumer. The bank is located five miles from the closest low- and moderate-income tracts that are located in San Antonio. Financial institutions with branches in the low- and moderate-income tracts provide competing full banking services. The bank lends satisfactorily to low- and moderate-income borrowers as shown in the table titled "Distribution of Borrowers by Income Levels". The tables below illustrate the lending distribution in the AA.

Distribution of Borrowers by Tract Income Level				
Consumer Loans				
Borrower Income Level	Low	Moderate	Middle	Upper
% of AA households	2	1	42	55
#	0	0	1	19
% of #	0	0	5	95
\$ (000)	0	0	6	652
% of \$	0	0	1	99

The tables below present the lending distribution of commercial and commercial real estate loans in the AA. The bank made the majority of the commercial loans sampled in middle- and upper-income tracts. The commercial real estate loans were in the low-, middle- and upper-income tracts. The commercial real estate loan sample was small due to the fact that 36% of the bank's lending activities is in commercial real estate. Half of the bank's commercial real estate lending is outside the AA. Many of the bank's small business and executive type customers live and work in the middle- and upper-income census tracts.

COMMERCIAL LOANS (NON-FARM)				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Businesses	2	1	42	55
#	0	0	4	16
% of #	0	0	25	75
\$ (000)	0	0	113	1,068
% of \$	0	0	10	90

COMMERCIAL REAL ESTATE LOANS (NON-FARM)				
Census Tract Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Businesses	2	1	42	55
#	3	0	4	7
% of #	21	0	29	50
\$ (000)	1,160	0	1,384	993
% of \$	33	0	39	28

Response to Complaints

Mission National Bank has not received any complaints during this evaluation period. The bank did receive favorable public comments from business and civic organizations during this evaluation period.

Record of Compliance with Anti-discrimination Laws

There are no indications of violations of anti-discrimination laws by the bank. An analysis of approved and denied consumer, business, and residential real estate loan applications for 1999 and 2000 shows denials and approvals were supported and consistent with sound banking practices.